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Phone: 415-274-0406; Fax: 415-274-0412

SF
PSS
#1
7/13/04

AGENDA

REGULAR MEETING

3:00 P.M., TUESDAY, JULY 13, 2004

PORT COMMISSION HEARING ROOM, 2ND FLOOR
FERRY BUILDING, SAN FRANCISCO, CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk.

1. **CALL TO ORDER / ROLL CALL**

2. **APPROVAL OF MINUTES** - June 22, 2004 Meeting

3. **EXECUTIVE**

   A. Executive Director's Report
      - City Budget Process
      - 4th of July Weekend Activities
      - July 1st - Transportation Security Administration Port Deadline

4. **ADMINISTRATIVE SERVICES**

   A. Request for approval of the Refinancing of Series 1994 Port Revenue Bonds. (Resolution No. 04-58)

5. **ENGINEERING & MAINTENANCE**

   A. Reconsideration and authorization to amend Contract No. 3048-03/04 with Literacy for Environmental Justice to provide education and public participation programs at Heron's Head Park located at Pier 98. (Resolution No. 04-59)

   B. Request for authorization to amend contract with Philip Services Corporation for disposal of hazardous waste. (Resolution No. 04-60)

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6. REAL ESTATE

A. Reconsideration and approval of a five-year lease with Delancey Street Foundation, Inc. for space located at Seawall Lot 349, Building 117 on Michigan Street between 20th Street and 21st Street. (Resolution No. 04- 61)

B. Request for approval of amendment to and restatement of Lease No. L-12275 with Pier 23, Inc. for property located at Pier 23. (Resolution No. 04-62)

7. NEW BUSINESS / AGENDA SETTING

- New Business
- Agenda Setting (Targeted Commission meeting, subject to change)
  - (1) Pending Lease Actions: (July 27, 2004)
    - G.P. Resources
    - Red & White Fleet
    - U.S.S. Pampanito
    - W.F. Alber, Inc.
  - (2) Interim Planning & Use Guidelines (July 27, 2004)
  - (3) Cancellation of August 10, 2004 Commission meeting
  - (4) BCDC/Fisherman's Wharf Plan (August 24, 2004)
  - (5) Port of San Francisco Embarcadero National Register Historic District (August 24, 2004 Informational Hearing and September 2004 Hearing and Commission action)
  - (6) Policy for Disposal of Surplus Property (September 2004)

8. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

9. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

B. CLOSED SESSION

(1) PUBLIC EMPLOYEE APPOINTMENT/DISMISSAL/RESIGNATION – This is specifically authorized under California Government Code Section 54957.

- Consideration and Possible Action on Public Employee's Appointment/ Dismissal/Resignation – Deputy Director of Port (No. of Employees Affected 4).

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative. ****

a. Property: Pier 47
Person Negotiating: Port: Ken Winters, Director of Real Estate
*W.F. Alber, Inc.: Donald Alber

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 47.

b. Property: The Embarcadero Hotel, at Embarcadero and Broadway
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Stanford Hospitality, Inc: Antony Carter

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations regarding the Embarcadero Hotel.

c. Property: Pier 15 and 17 (at Embarcadero)
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Exploratorium: Dr. Goéry Delacôte

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 15 and 17 (at Embarcadero).

d. Property: Piers 27-31
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Piers 27-31 LLC: Steve Jacobsen

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Piers 27-31.

9. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

10. ADJOURNMENT

JULY 2004
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
July 13	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**
July 27	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**

NOTES:

The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 3:00 p.m., unless otherwise noticed. ***The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com.*** Contact Amy Quesada at 274-0406.

The Brannan Street Wharf Citizens Advisory Committee meets on an as-needed basis to develop a concept plan for this planned open space in the South Beach area. Meetings are held in the Bayside Conference Room at Pier 1. Contact Dan Hodapp @ 274-0625 or dan_hodapp@sfport.com

The Cruise Terminal Environmental Advisory Committee generally meets the third week of each month. Date and time to be determined. Contact Michael Nerney at 274-0416.

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Contact Tiffany Bohee at 749-2481 for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Pier 70 Advisory Group meets monthly on an as-needed basis generally on the 2nd Wednesday of the month from 4 to 6 p.m. at the Potrero Campus of the California College of Arts and Crafts, Board Room, 1111 – 8th Street between Irvin and Hooper. Contact Mark Paez @ 705-8674.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Tiffany Bohee at 749-2481 or 749-2400 for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conference Room @ Pier 1. Contact Dan Hodapp @ 274-0625.

ACCESSIBLE MEETING INFORMATION

Ferry Building: The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets.
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington St., Folsom St. & Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals. A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact John Scott, Port's ADA Coordinator, at 274-0571. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102, by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org. Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall, the San Francisco Public Library or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

July 8, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon
Hon. Sue Bierman
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Port Commission of the City and County of San Francisco Revenue Refunding Bonds, Series 2004 (the "2004 Bonds").

DIRECTOR'S RECOMMENDATION: APPROVE THE REFUNDING 2004 BONDS AS DESCRIBED HEREIN.

BACKGROUND: Section 9.112 of Article IX of the City and County of San Francisco Charter entitled "Revenue Bonds of the Port Commission" gives the Port Commission exclusive power to perform or accomplish issuance of revenue bonds for Port-related purposes.

On April 13, 2004, the Commission authorized Staff (through Resolution No. 04-33) to work with consultants to prepare a detailed proposal for the Commission's review and action to refinance the Port's outstanding Revenue Refunding Bonds, Series 1994.

Attached is an original resolution authorizing the issuance of the sale and delivery of the 2004 Bonds in an amount not to exceed $25,000,000 to refinance the $23,175,000 aggregate principal outstanding of Port Commission of San Francisco Revenue Refunding Bonds, Series 1994 (the "1994 Bonds"). While we currently expect to issue $20,930,000 in bonds, the added authorization gives the Port sufficient flexibility to address any changes in market conditions.

Under current market conditions, the Port could issue approximately $20,930,000 to refund the $23,175,000 in outstanding 1994 Bonds, achieving approximately $905,653 or 3.9% in net present value debt service savings. It has been structured with level annual debt service savings through the final maturity, July 1, 2009.

This Print Covers Calendar Item No. 4A

The proposed transaction would be a current refunding of the outstanding 1994 Bonds. The Refunding Bonds, Series 2004 could be priced as soon as the week of July 19, 2004 and closed by August 12, 2004. However, this schedule is subject to change.

As you know, the Port staff intend to issue the 2004 Bonds via a negotiated sale with the two underwriters selected by RFP and approved by the Commission in June 2004. This will afford the Port more flexibility in regards to changing the sales date or the structure of the issue in attempts to obtain lower interest rates. Port staff believe that a negotiated sale is more appropriate at this time since the Port has not been in the bond market for sometime and we wish to minimize difficulties in marketing the bonds, which may result in a higher cost to the Port.

1. Benefits of the Refunding:

Debt Service Savings - The table below shows:

A. Estimated net present value savings as of July 8, 2004, based on a projected single "A" credit rating. Port staff has meet with the three primary credit rating agencies and expects to receive a rating on the 2004 Bonds around July 16, 2004.

B. Savings as a Percentage of Refunding Principal. This is the percentage of savings from the refunding compared to the outstanding principal of the 1994 Bonds that are being refinanced.

C. The corresponding True Interest Cost (TIC) estimate. This is the interest expense of the 2004 Bonds or the rate compounded semi-annually, necessary to discount the amounts payable on the principal and interest payment dates to the purchase price received for the new issue of bonds. In other words, it's the average weighted interest rate aggregated for the individual bond maturities.

NPV Savings	$905,653
Savings % Refunding Principal	3.900%
TIC	3.26%

So, by issuing the 2004 Bonds, the Port will save approximately $905,653 (2004 dollars) in interest costs versus the current bonds. This amount is equal to 3.9% of the principal amount of bonds outstanding. This amount is based on a weighted average interest rate of 3.26%, the rate we hope to get when the bonds are sold.

2. Bond Structure

Maturity – the 2004 Bonds will mature on July 1, 2009, the same maturity date as the 1994 Bonds.

3. Description of Documents for Commission Approval

I am requesting that the Commission approve the following documents as required for the issuance of the 2004 Bonds:

Port Commission Resolution No. 04-58
Preliminary Official Statement
Continuing Disclosure Certificate
Second Supplemental to Indenture of Trust
Escrow Agreement
Bond Purchase Agreement

All of the foregoing documents are described in more detail below.

The attached financing documents are in substantially final form, however minor modifications will continue to be made until the bond closing. The Port staff has been working with Bond Counsel, Disclosure Counsel, Financial Advisors, Underwriters, Mayor's Office of Public Finance and the City Attorney's Office to structure the refunding bond issue and develop the necessary documents.

A. Preliminary Official Statement (POS) - This document is distributed to potential Investors and serves as a disclosure and marketing document for the 2004 Bonds. It describes the financial condition of the Port, the condition of its facilities, environmental hazards, etc. The POS also describes the terms of the financing and the provisions of the legal documents. The POS becomes the Official Statement (OS) after bond closing. The Securities and Exchange Commission (SEC) considers this document a "disclosure" document. Various SEC rules require that the POS be accurate and informative and that there be no material misstatements or omissions of facts. By approval of this Resolution, the Commission will approve the Port's disclosure and is presumed by the SEC to have reviwed the disclosure.

B. Indenture of Trust (Master Indenture) – We retain the adopted 1994 Indenture. This document is the principal security document for the 2004 Bonds to be issued. In other words, it is the contract between the bondholders and the Port. The Indenture contains covenants regarding the operation of the Port that are designed to enhance the security of the Bonds and gives the bondholders comfort that they will be paid. The same Indenture executed in 1994 will be the Master contract for the 2004 Bonds.

C. Second Supplemental to Indenture of Trust - This document is a short supplement to the Indenture of Trust (Master Indenture), which provides for the specific terms of the 2004 Bonds distinct from the 1994 Bonds. This document allows the Port to make minor amendments to the Master Indenture of 1994.

D. Escrow Agreement - This agreement establishes an escrow fund for the Deposit of the proceeds of the 2004 Bonds in an amount sufficient to provide for the payment in full of the Series 1994 Bonds to be refunded. The escrow is necessary to hold money raised by the sale of the new 2004 Bonds until all holders of the current 1994 Bonds can be paid off. We expect the escrow to be in place for approximately 10 days.

E. Bond Purchase Agreement - This document contains the terms and conditions for the sale of the 2004 Bonds to the underwriters in a negotiated sale. In other words, it's the Port's contract with the two underwriting firms, Seibert Brandford Shanks and Backstrom McCarley and Berry.

4. 1994 Bonds Characteristics

Port Commission of San Francisco Revenue Refunding Bonds, Series 1994 issued in June 1994:

• Amount of Original Issue	$53,610,000
• Principal Amount Outstanding	$23,175,000
• Average Interest Rate	5.733%
• Final Maturity	7/1/2009

5. Proposed 2004 Bonds Characteristics

Port Commission of San Francisco Revenue Refunding Bonds, Series 2004 to be closed in August 2004:

• Amount of New Issue	$20,930,000*
• Average Interest Rate	3.26%*
• Final Maturity	7/1/09

*Approximate, subject to market conditions at time of sale. Maximum allowable $25,000,000 and 6%, respectively.

6. Estimated Sources and Uses of Funds, subject to change.

A. Sources

• Principal Amount of Bonds	$20,930,000.00
• Reserve Fund from 1994 Bonds	5,361,000.00
Total Sources of Funds	$26,291,000.00

B. Uses

• Deposit to Escrow Fund	$23,880,573.27
• Deposit to Reserve Fund	2,093,000.00
• Costs of Issuance*	314,317.42
• Contingency	3,109.31
Total	$26,291,000.00

*Includes fees of rating agencies, financial advisers, legal counsel, underwriters, verification agent, financial printer, and other miscellaneous expenses relating to the issuance of the 2004 Bonds.

7. Other

A. Escrow – As discussed above, the proceeds from the sale of the proposed 2004 Bonds will be used to pay off the 1994 Bonds immediately since the Indenture allows the Port to do so at this time. As shown in #6 above, the amount of proceeds from the new bonds, plus other available bond monies, is intended to

equal the amount necessary to pay off the Series 1994 bonds. This money will be deposited in the Escrow account until the old bondholders can be notified and paid.

B. Negotiated Sale – Staff will report back to the Commission on the negotiated price of the refunding and provide a schedule of debt service savings.

8. Remaining Major Tasks

A. Credit

Port staff met with the Rating Agencies (Moody's Investors Services, Standard & Poor's Corporation and Fitch Ratings) on July 6 -7, 2004 and presented the Port's financial picture. The remaining credit tasks are to:

- Provide any follow-up information, as requested
- Receive ratings from the three Rating Agencies
- Evaluate rating impact on refinancing
- Evaluate bids from Bond Insurers, if any

Additionally, the Port has submitted the financing documents and financials to various Bond Insurance companies to determine whether purchase of bond repayment insurance would enhance savings to the Port. Both the Rating Agencies and the Bond Insurers will present the Port's financing to their respective credit committees.

B. Preliminary Official Statement (POS)

- Complete disclosure and marketing document (last Port Official Statement was in 1994).

C. Second Supplemental Indenture of Trust

- Complete final changes to the Second Supplemental Indenture of Trust.

D. Bond Sale/Pricing

- The underwriters will pre-market the Port's bonds to the investment community
- Port staff, together with the Mayor's Office of Public Finance and our Financial Advisor, will negotiate interest rates and prices for purchase of the bonds by the two Underwriters.

E. Closing

- The financing team will execute the final financing documents
- The Port will deliver the bonds to the underwriters on the closing date in return for the purchase price ("proceeds"). The purchase money will be deposited into the Escrow Account. Holders of the 1994 Bonds will be notified and receive final payments of principal and interest.

9. Financing Schedule (Subject to Change)

	Dates
Commission approval of financing documents	July 13
Mailing of POS to potential investors	July 14
Receive ratings	July 16
Pricing and negotiation of terms	Week of July 19
Bond Closing	August 12
Full redemption of Series 1994 Bonds on or about	August 20

SUMMARY

Staff's recommendation to refund the outstanding 1994 Bonds is based on economic savings due to a reduction in current interest rates and term. The new bonds would not be outstanding longer than the old bonds. The final maturity will remain July 1, 2009. This is a purely economic decision for the Port Commission.

There could be other unforeseen issues that arise between now and the date of the bond sale. The Executive Director will be monitoring the progress of this transaction and will delay the sale should, in her opinion, any negative consequences outweigh the benefits of the refunding.

Prepared by: Chudi Chuba

Attachments:

1. Port Commission Resolution No. 04-58
2. Preliminary Official Statement
3. Continuing Disclosure Certificate
4. Second Supplemental to Indenture of Trust
5. Escrow Agreement
6. Bond Purchase Agreement

ATTACHMENT 1

PORT RESOLUTION NO. 04-58

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-58

WHEREAS, this Port Commission (the "Commission") of the City and County of San Francisco (the "City"), pursuant to the laws of the State of California, the Charter of the City (the "Charter"), and previous resolutions duly adopted and proceedings duly conducted by the Commission, has previously authorized the issuance, sale and delivery of its Revenue Refunding Bonds, Series 1994 (the "1994 Bonds") listed in Schedule A attached hereto, to refund $11,000,000 aggregate principal amount of Port Commission of San Francisco Revenue Bonds, Series A, of which $5,400,000 aggregate principal amount were outstanding as of the date of issuance of the 1994 Bonds, $9,000,000 aggregate principal amount of Port Commission of San Francisco Revenue Bonds, Series B, of which $4,500,000 aggregate principal amount were outstanding as of the date of issuance of the 1994 Bonds, and $42,500,000 aggregate principal amount of Port Commission of San Francisco Revenue Bonds, Series C, of which $40,075,000 aggregate principal amount were outstanding as of the date of issuance of the 1994 Bonds, the proceeds of which were applied to finance the acquisition, construction, and improvements to the Port Area (as defined in that certain Indenture of Trust, dated as of June 1, 1994, as amended by that certain First Supplement to Indenture of Trust, dated as of June 1, 1994, each by and between the Commission and Union Bank, as trustee (collectively, the "Original Indenture")); and

WHEREAS, the Commission desires to issue and sell its refunding revenue bonds (the "Bonds") in the aggregate principal amount of not to exceed $25,000,000, pursuant to the Charter, Chapter 43, Article VI ("Article VI") of the City and County of San Francisco Municipal Code (the "Municipal Code") and the procedures provided for in the Revenue Bond Law of 1941 (Article 6 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 54300) as it read, including amendments, on June 5, 1984, except as amended in the Municipal Code (the "Bond Law") to (i) refund and defease in full the 1994 Bonds; (ii) fund a reserve fund for the Bonds; and (iii) pay the costs of issuance of the Bonds; and

WHEREAS, such refunding is expected to result in net debt service savings calculated as provided in Article VI of the Municipal Code ("Net Debt Service Savings"); and

WHEREAS, on June 8, 2004, the Commission adopted its Resolution No. 04-49 authorizing the Executive Director of the Port of San Francisco (the "Executive Director") to negotiate and award professional services contracts for the provision of underwriting services with respect to the Bonds with Siebert Brandford Shank & Co., LLC and Backstrom McCarley Berry & Co., LLC; now, therefore, be it

RESOLVED, by the PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO as follows:

Section 1. Issuance of Bonds.

The Commission hereby authorizes the issuance of its refunding revenue bonds (the "Bonds") in an aggregate amount not in excess of $25,000,000, in one or more series to be issued in accordance with this Resolution, the Charter, Article VI of the Municipal Code, the procedures provided for in the Bond Law and the Indenture (as hereinafter defined).

The Executive Director is hereby authorized and directed to provide for the sale of the Bonds, by public or private sale, subject to the following terms and conditions:

(a) net debt service savings resulting from the issuance of the Bonds and the refunding of the 1994 Bonds shall be at least equal to two percent (2%) of the outstanding principal amount of the 1994 Bonds;

(b) no Bond shall have a stated coupon interest rate in excess of six percent (6%) per annum;

(c) the Bonds shall not have a final maturity date later than July 1, 2009;

(d) costs incurred in connection with the issuance of the Bonds (excluding underwriters' discount and any cost of credit enhancement) and paid from the proceeds of the sale of the Bonds shall not exceed two percent (2%) of the aggregate principal amount of the Bonds;

(e) the underwriters' discount or fee shall not exceed one-half percent (.5%) of the aggregate principal amount of the Bonds sold, exclusive of original issue discount; and

(f) in the event the Executive Director determines to sell any Bonds with credit enhancement, such as a municipal bond insurance policy, a surety bond or a letter of credit, the Commission's Financial Advisor shall have advised her that the present value savings to the Commission resulting from the purchase of such credit enhancement shall equal or exceed the cost thereof.

Section 2. Second Supplement to Indenture.

The form of Second Supplement to Indenture of Trust (the "Second Supplemental Indenture" and together with the Original Indenture, the "Indenture"), in substantially the form presented to this Commission, a copy of which is on file with the Secretary of the Commission (the "Secretary") and by this reference incorporated herein, is hereby approved. The President of the Commission (the "President") is hereby authorized and directed to execute, and

the Secretary is authorized to attest, the Second Supplemental Indenture for the Bonds in substantially such form, with such changes, additions, amendments or modifications (including but not limited to changes, additions, amendments or modifications necessary to obtain credit enhancement or ratings for all or any portion of the Bonds) which are approved by the Executive Director, in consultation with the City Attorney, in the interest of the Commission, such approval to be conclusively evidenced by said execution.

Section 3. Form of Bonds.

The form of the Bonds, in substantially the form attached to the Second Supplemental Indenture as Exhibit A and presented to this Commission, a copy of which is on file with the Secretary and by this reference incorporated herein, is hereby approved. The President is hereby directed, and the Treasurer of the City (the "Treasurer") is hereby requested, to approve and to execute the Bonds by manual or facsimile signature and to cause the seal of the Commission to be reproduced or impressed on the Bonds; and the President is hereby directed, and the Treasurer is hereby requested, to direct the trustee under the Indenture to authenticate the Bonds by the manual signature of an authorized signatory, with such changes, additions, amendments or modifications as may be made in accordance with Section 11 hereof.

Section 4. Appointment of Trustee, Depositories and Other Agents.

The Executive Director is hereby authorized and directed to select a financial institution to serve as trustee under the Indenture.

The Executive Director is hereby authorized and directed to appoint from time to time one or more depositories for the Bonds as she may deem desirable.

The Executive Director is hereby also authorized and directed to appoint from time to time one or more agents as she may deem necessary or desirable. To the extent permitted by applicable law, and under the supervision of the Executive Director, such agents may serve as escrow agent, paying agent, fiscal agent or registrar for the Bonds or may assist the Executive Director in performing any or all of such functions and other duties as the Executive Director shall determine. Such agents shall serve under such terms and conditions as the Executive Director shall determine. The Executive Director may remove or replace agents appointed pursuant to this section at any time.

Section 5. Bond Purchase Agreement.

The form of Bond Purchase Agreement (the "Bond Purchase Agreement"), in substantially the form presented to this Commission, a copy of which is on file with the Secretary and by this reference incorporated herein, is hereby approved. The Executive Director is hereby authorized and directed to

execute and deliver a Bond Purchase Agreement for the Bonds in substantially such form, with such changes, additions, amendments or modifications as may be made in accordance with Section 11 hereof.

Section 6. Official Statement.

The Executive Director is hereby authorized and directed, in consultation with the City Attorney, to prepare a preliminary official statement for the Bonds authorized by this Resolution. The form of proposed preliminary official statement (the "Preliminary Official Statement"), in substantially the form presented to this Commission, copies of which are on file with the Secretary and by is reference incorporated herein, is hereby approved with such changes, additions, amendments or modifications as may be made in accordance with Section 11 hereof. The Executive Director is hereby authorized to cause the distribution of a Preliminary Official Statement for the Bonds, deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and to sign a certificate to that effect. The Executive Director is hereby further authorized and directed to sign a final Official Statement for the Bonds. The Underwriters are hereby authorized and directed to cause to be printed and mailed to prospective bidders or purchasers, as appropriate, for the Bonds, copies of the Preliminary Official Statement and the final Official Statement.

Section 7. Continuing Disclosure Certificate.

The form of Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), in substantially the form presented to this Commission, a copy of which is on file with the Secretary and by this reference incorporated herein, is hereby approved. The Executive Director is hereby authorized and directed to execute and deliver a Continuing Disclosure Certificate in substantially such form, with such changes, additions, amendments or modifications as may be made in accordance with Section 11 hereof.

Section 8. Escrow Agreement.

The form of Escrow Agreement (the "Escrow Agreement"), in substantially the form presented to this Commission, a copy of which is on file with the Secretary and by this reference incorporated herein, is hereby approved. The Executive Director is hereby authorized and directed to execute and deliver an Escrow Agreement in substantially such form, with such changes, additions, amendments or modifications as may be made in accordance with Section 11 hereof.

Section 9. Retention of Other Agents; Payment of Compensation to Such Agents.

The Executive Director is hereby authorized and directed to retain the services of other agents, including, but not limited to, financial printers, verification agents, escrow agents, rating agencies, financial advisors, letter of credit banks and bond insurers as she may deem necessary or desirable to facilitate the issuance of the Bonds. The Executive Director, in consultation with the City Attorney, is hereby further authorized to enter into any agreements with such agents and to compensate such agents for services rendered. The Executive Director may remove or replace agents appointed pursuant to this section at any time.

Section 10. Payment of Costs of Issuance.

The Executive Director is hereby authorized and directed to pay, or cause to be paid on behalf of the Commission, the costs of issuance associated with the Bonds from the proceeds of the Bonds or other available funds of the Commission.

Section 11. Modification to Documents.

Any Commission official or employee authorized by this Resolution to execute any document is hereby further authorized, in consultation with the City Attorney, to approve and make such changes, additions, amendments or modifications to the document or documents the official is authorized to execute as may be necessary or advisable (provided that such changes, additions, amendments or modifications shall not authorize an aggregate principal amount of Bonds in excess of $25,000,000, or be inconsistent with any of the conditions set forth in Section 1 hereof). The approval of any change, addition, amendment or modification to any of the aforementioned documents shall be evidenced conclusively by the execution and delivery of the document in question.

Section 12. Ratification.

All actions heretofore taken by the officials, employees and agents of the Commission or the City with respect to the sale and issuance of the Bonds and the refunding of the 1994 Bonds are hereby approved confirmed and ratified.

Section 13. Report to Board of Supervisors.

The Commission hereby finds and determines that the public interest and necessity require the issuance of the Bonds to provide for the refunding of the 1994 Bonds, and authorizes the Executive Director to present to the Board of Supervisors of the City and file with the Clerk of the Board of Supervisors of the City the Commission's report setting forth the minimum amount of savings

to be generated in terms of scheduled principal and interest payments by the issuance of the Bonds, as required under Section 43.6.5 of the Municipal Code.

Section 14. General Authority.

The Executive Director, the President, the Secretary, and any other officials of the Commission and their duly authorized deputies and agents are hereby authorized and directed, for and in the name and on behalf of the Commission, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including any commitments or other agreements for bond insurance policies, surety bonds, letters of credit, debt service reserve puts, contracts described in Section 5922 of the California Government Code or other similar credit enhancement or financing instruments, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds, the refunding of the 1994 Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by this Commission.

Section 15. Effective Date.

This resolution shall take effect from and after its passage and approval.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 13, 2004.

_____

Secretary

SCHEDULE A

Outstanding Revenue Bonds of the Port Commission of San Francisco

Issue	**Principal Amount Outstanding**
Series 1994	$23,175,000

ATTACHMENT 2

PRELIMINARY OFFICIAL STATEMENT

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

ATTACHMENT 2
PRELIMINARY OFFICIAL STATEMENT DATED JULY __, 2004

New Issue—Book-Entry Only

UNDERLYING RATINGS: Moody's: Standard & Poor's: FitchRatings:
INSURED RATINGS: Moody's: Standard & Poor's: FitchRatings:
(See "RATINGS" herein)

In the opinion of Nixon Peabody LLP, San Francisco, California, and Law Offices of Elizabeth C. Green,, San Francisco, California, Co-Bond Counsel with respect to the Bonds, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Commission and described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to the exclusion of interest from gross income for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with proceeds of the Bonds or a "related person". Co-Bond Counsel is also of the opinion that interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Co-Bond Counsel is further of the opinion that interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein regarding certain other tax considerations.

$21,550,000*
PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
REFUNDING REVENUE BONDS, SERIES 2004

Dated: Date of Delivery **Due: July 1, as shown below**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. SEE "CERTAIN RISK FACTORS" HEREIN FOR FACTORS INVESTORS SHOULD CONSIDER BEFORE INVESTING IN THE BONDS.

The $21,550,000* aggregate principal amount of Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2004 (the "Bonds") are being issued by the Port Commission of the City and County of San Francisco (referred to herein as the "Port" or the "Port Commission") pursuant to the Indenture of Trust dated as of June 1, 1994 (the "Master Indenture") between the Port Commission and Union Bank of California, N. A., San Francisco, California, as trustee (the "Trustee"), as amended and supplemented, including that certain Second Supplement to Indenture of Trust dated as of July 1, 2004 (the "Second Supplement to the Indenture") between the Port Commission and the Trustee (the Master Indenture and Second Supplement to the Indenture being herein referred to collectively as the "Indenture"). The Bonds are being issued to refund and redeem all $23,175,000 in aggregate principal amount of the Port Commission's outstanding Refunding Revenue Bonds, Series 1994 (the "Prior Bonds"), to make a deposit to the Reserve Fund for the Bonds in the amount of the Reserve Requirement, and to pay certain costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING" herein.

Interest on the Bonds will be payable on January 1, 2005 and on July 1 and January 1 of each year thereafter. Payment of principal of the Bonds at maturity, as shown in the Maturity Schedule set forth below, and interest when due will be payable by the Trustee, as paying agent, to DTC. The Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which payments of principal of and interest on the Bonds will be made. Individual purchases of the Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates. DTC will remit such principal and interest payments to its participants, which will be responsible for remittance to the Beneficial Owners of the Bonds. See "Appendix E— "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Bonds are not subject to optional redemption or mandatory sinking fund redemption prior to their respective stated maturities. See "TERMS OF THE BONDS—No Redemption Prior to Stated Maturity."

The Bonds are issued under Section 9.111 of the Charter, Chapter 43, Article VI of the City and County of San Francisco Municipal Code and the procedures provided for in the Revenue Bond Law of 1941 (Article 6 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 54300) as it read, including amendments, on June 5, 1984, except as amended in the Municipal Code (the "Bond Law," as herein defined), and pursuant to a resolution adopted by the Port Commission on July 13, 2004. See "INTRODUCTION—Authority for Issuance; Purpose" herein.

The Bonds are special, limited obligations of the Port Commission secured by and payable solely from Net Revenue (as defined herein) of the Port Commission and from moneys held in certain funds and accounts established pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein. The Bonds are not a debt or obligation of the

City and County of San Francisco, the State of California or any political subdivision thereof (other than the Port Commission payable solely from the Net Revenue). Neither the credit nor the taxing power of the City and County of San Francisco, the State of California or any political subdivision thereof is pledged to pay the principal of and interest on the Bonds. The Port Commission has no taxing power.

MATURITY SCHEDULE*

Maturity Date (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP** No.
2005		%		%
2006				
2007				
2008				
2009				

The scheduled payment of principal and interest with respect to the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued by _____ simultaneously with the delivery of the Bonds. See "Bond Insurance" herein and Appendix H — "FORM OF MUNICIPAL BOND INSURANCE POLICY" attached hereto.

[Insert Bond Insurer Logo Here]

The Bonds are offered when, as, and if issued by the Port Commission and accepted by the purchasers, subject to approval of legality of issuance by Nixon Peabody LLP, San Francisco, California, and Law Offices of Elizabeth C. Green, San Francisco, California, Co-Bond Counsel with respect to the Bonds. Certain legal matters will be passed upon for the Port Commission by the Office of the City Attorney. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about August ___, 2004.

Siebert Brandford Shank & Co., LLC **Backstrom McCarley Berry & Co., LLC**

Dated: July _____, 2004.

** Preliminary; subject to change*

*** Copyright 2004, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is set forth for convenience of reference only. Neither the Port Commission nor the Underwriters assume responsibility for its accuracy.*

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein has been obtained from the Port, the City and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Port or the City since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information provided herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE FRONT COVER HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "project," "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. A discussion of certain of such factors is set forth herein under the caption "CERTAIN INVESTMENT CONSIDERATIONS" but such discussion is not intended to address all possible risks and uncertainties relating to the achievement of such results. No assurance is given that actual results will meet the Port's forecasts in any way, regardless of the level of optimism communicated in the information. Differences between forecasted results and actual results may be material. The Port is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur. See "CONTINUING DISCLOSURE" herein.

This Preliminary Official Statement and the information contained herein are in a form deemed final by the Port Commission for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (except for omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). However, the information herein is subject to revision, completion or amendment in a final Official Statement.

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PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

Wilfred W. Hsu, *President*
Michael Hardeman, *Vice President*
Susan Bierman, *Commissioner*
Kimberly K. Brandon, *Commissioner*
Ann B. Lazarus, *Commissioner*

Monique Moyer, *Executive Director*

THE CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom, *Mayor*

BOARD OF SUPERVISORS

Matt Gonzalez, *President, District 5*
Tom Ammiano, *District 9*
Chris Daly, *District 6*
Bevan Dufty, *District 8*
Michela Alioto-Pier, *District 2*
Tony Hall, *District 7*
Fiona Ma, *District 4*
Sophie Maxwell, *District 10*
Jake McGoldrick, *District 1*
Aaron Peskin, *District 3*
Gerardo Sandoval, *District 11*

CITY AND COUNTY OFFICIALS

Susan Leal, *Treasurer*
Edward Harrington, *Controller*
Dennis J. Herrera, *City Attorney*

SPECIAL SERVICES

Nixon Peabody LLP
San Francisco, California
Co-Bond Counsel

Law Offices of Elizabeth C. Green
San Francisco, California
Co-Bond Counsel

Trustee & Paying Agent

CSG Advisors Incorporated
San Francisco, California
Financial Advisor

Verification Agent

OFFICIAL STATEMENT

$21,550,000*

PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
REFUNDING REVENUE BONDS, SERIES 2004

INTRODUCTION

This Official Statement is furnished in connection with the offering of $21,550,000* aggregate principal amount of the Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2004 (the "Bonds").

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, including the Appendices attached hereto. Unless otherwise defined below, all capitalized terms used in this Official Statement shall have the meanings ascribed thereto in the Indenture (as defined below).

The Port of San Francisco

The Port of San Francisco (the "Port") was transferred in trust to the City and County of San Francisco (the "City") by the State of California in 1969. The Port is governed by the Port Commission of the City and County of San Francisco (the "Port Commission") and is managed by a self-supporting enterprise department of the City. The Port Commission administers the seven and one-half miles of waterfront property under its jurisdiction. The Port's waterfront property comprises a natural harbor with channel and berth depths of up to 42 feet. The Port's revenue is derived primarily from leases of Port property to maritime, commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities. The Port's financial operations are included as a part of the City's budget and financial reporting. Additional information concerning the Port's organization and finances is set forth herein under "THE PORT OF SAN FRANCISCO," "PORT FINANCES AND REVENUE OPERATIONS" and in Appendix A— "THE PORT OF SAN FRANCISCO—AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002."

Authority for Issuance; Purpose

The Bonds are issued pursuant to a resolution of the Port Commission adopted on July 13, 2004 authorizing the issuance and sale of the Bonds (the "Resolution"), Section 9.111 of the Charter of the City (the "Charter"), Chapter 43 of Article VI ("Article VI") of the City and County of San Francisco Municipal Code (the "Municipal Code") and the procedures provided for in the Revenue Bond Law of 1941 (Article 6 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 54300) as it read, including amendments, on June 5, 1984, except as amended in the Municipal Code (the "Bond Law"). Article VI provides that, whenever the public interest and necessity so require, the Port Commission may, acting under Chapter 43 of Article VI, authorize the issuance of refunding bonds under the procedures provided for in the Bond Law in order to refund outstanding revenue bonds. The Bonds are issued pursuant to the Indenture of Trust, dated as of June 1, 1994 (the "Master Indenture"), between the Port Commission and _____, as successor trustee to Union Bank of California, N. A., San Francisco, California (the "Trustee"), as amended and supplemented, including

---

** Preliminary; subject to change*

that certain Second Supplement to Indenture of Trust, dated as of July 1, 2004 (the "Second Supplement to the Indenture "), between the Port and _____, as trustee (the Master Indenture and Second Supplement to the Indenture being herein referred to collectively as the "Indenture").

The Bonds are being issued (i) to refund and redeem all $23,175,000 in aggregate principal amount of the Port Commission's outstanding Refunding Revenue Bonds, Series 1994 (the "Prior Bonds"), through the funding of an escrow fund pursuant to the Escrow Agreement (as hereinafter defined), (ii) to make a deposit into the Reserve Fund for the Bonds in the amount of the Reserve Requirement (as hereinafter defined), and (iii) to pay certain costs of issuance of the Bonds.

The Bonds are not subject to redemption prior to their respective stated maturities as described herein. See "TERMS OF THE BONDS" herein.

The Bonds are not a debt or obligation of the City and County of San Francisco, the State of California or any political subdivision thereof (other than the Port Commission payable solely from the Net Revenue). Neither the credit nor the taxing power of the City and County of San Francisco, the State of California or any political subdivision thereof is pledged to pay the principal of and interest on the Bonds. The Port Commission has no taxing power.

Pursuant to the Indenture, the Port Commission is permitted to issue additional bonds and to enter into additional obligations secured by Net Revenue on a parity with the payment of principal of and interest on the Bonds, provided that certain conditions are satisfied as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds and Other Indebtedness" herein.

Upon the defeasance and redemption of the Prior Bonds, the Port Commission will have no outstanding bonded indebtedness payable on a parity with the Bonds.

Security and Sources of Payment for the Bonds

The Bonds are issued and secured pursuant to the terms of the Indenture. The Bonds are special limited obligations of the Port Commission payable solely from Net Revenue and from amounts on deposit in certain funds and accounts held under the Indenture. No funds of the Port other than the Net Revenue are pledged to or available for payment of the principal of or interest on the Bonds. Under the Indenture, the Port Commission covenants that it will maintain its business operations and establish and at all times maintain rentals, rates, fees and charges for the use of the Port Area and for services rendered by the Port Commission in connection with the Port Area so that Net Revenue in each fiscal year will be at least equal to 130% of aggregate Annual Debt Service with respect to the Bonds for such fiscal year. The Port Commission has also agreed to take certain specified actions in the event that Net Revenue falls below the required levels.

Upon the issuance of the Bonds, the Port Commission will fund the Reserve Fund relating to the Bonds in an amount equal to the Reserve Requirement (defined herein). Moneys on deposit in the Reserve Fund will be used and withdrawn solely for the purpose of paying principal of and interest on the Bonds in the event Net Revenue deposited with the Trustee is insufficient therefor.

Concurrently with the issuance of the Bonds, _____will issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") with respect to the Bonds. The Municipal Bond Insurance Policy will unconditionally guarantee the payment of the principal of and interest on the Bonds that has become due for payment, but is unpaid by reason of nonpayment by the Port Commission. See "BOND INSURANCE" herein.

For more information regarding the security and sources of payment for the Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "THE PORT OF SAN FRANCISCO," and "PORT FINANCES AND REVENUE OPERATIONS" herein. For more information regarding the covenants of the Port Commission to maintain Net Revenue, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Covenant to Maintain Net Revenue" herein. For more information concerning the Reserve Fund and the Reserve Requirement, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Reserve Fund" herein. Audited financial information concerning the Port is set forth in Appendix A attached hereto. See "CERTAIN RISK FACTORS" for a discussion of certain risks related to the Bonds. Information regarding the City and County of San Francisco is set forth in Appendix B— "INFORMATION ON THE CITY AND COUNTY OF SAN FRANCISCO" herein.

Continuing Disclosure and Additional Information

The Port Commission will covenant in a Continuing Disclosure Certificate, to be delivered concurrently with the issuance of the Bonds, to provide certain financial information and operating data relating to the Port Commission and notices of certain events, if material. Such information and notices will be filed by the Port Commission with certain Nationally Recognized Municipal Securities Repositories. For more information concerning the Port Commission's continuing disclosure commitment and the form of the Continuing Disclosure Certificate, see "CONTINUING DISCLOSURE" herein and Appendix D attached hereto.

Brief descriptions of the Bonds, the security and sources of payment for the Bonds, the Port Commission, the Net Revenue, the Port, and related matters are included in this Official Statement, together with summaries of certain provisions of the Bonds, the Indenture and certain other documents. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and other documents and instruments are qualified in their entirety by reference to such documents or instruments or the forms thereof, copies of which are available for inspection at the office of the Port Commission, as hereinafter described. The Port Commission regularly prepares a variety of reports, including audits, budgets and related documents, which may be obtained from the Port Commission. Additional information regarding such reports, the Indenture or other documents relating to the Bonds or this Official Statement may be obtained by contacting the Public Information Officer or the Fiscal Officer of the Port at Port of San Francisco, Pier 1, San Francisco, CA 94111, Telephone (415) 274-0400, Fax (415) 274-0412. Copies of the Indenture are also available for inspection at the principal corporate trust office of the Trustee.

TERMS OF THE BONDS

General

The Bonds will be dated their date of delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the cover page of this Official Statement. Interest on the Bonds is payable commencing on January 1, 2005, and semiannually thereafter on July 1 and January 1 in each year, calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds will be issued in fully-registered form in denominations of $5,000 or any multiple of $5,000.

Book-Entry Only System

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC," together with any successor securities depository, the "Securities Depository"). DTC will act as Securities Depository for the Bonds so purchased. Individual purchases will be made in book-entry-only form. Purchasers will not receive a

certificate representing their beneficial ownership interest in Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders, holders or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the "Beneficial Owners" of the Bonds. In this Official Statement, the term "Beneficial Owner" shall mean the person for whom a Participant (as defined herein) acquires an interest in the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of, premium (if any) and interest on the Bonds will be payable by wire transfer of same-day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners.

In the event the use of the book-entry-only system is discontinued, principal of the Bonds will be payable upon surrender thereof at the principal corporate trust office of the Trustee in _____, California. Interest payable on the Bonds will be paid by check mailed on the Interest Payment Date to the person in whose name each Bond is registered in the registration books maintained by the Trustee as of the applicable Record Date for such Interest Payment Date; in accordance with the provisions set forth in the Indenture.

A more detailed description of the Book-Entry Only System is contained in Appendix E--- "DTC AND THE BOOK-ENTRY ONLY SYSTEM" attached hereto.

No Redemption Prior to Stated Maturity Date

The Bonds are not subject to redemption prior to their respective stated maturity dates.

DEBT SERVICE SCHEDULE

Set forth below are the principal, interest and total debt service requirements for the Bonds:

Payment Date	Principal	Interest	Total Debt Service	Fiscal Year Debt Service
January 1, 2005				
July 1, 2005				
January 1, 2006				
July 1, 2006				
January 1, 2007				
July 1, 2007				
January 1, 2008				
July 1, 2008				
January 1, 2009				
July 1, 2009				
TOTAL				

PLAN OF REFUNDING

Pursuant to the Escrow Agreement dated as of July 1, 2004 between _____, as escrow agent, and the Port Commission (the "Escrow Agreement"), the Port Commission will apply a portion of the net proceeds of the sale of the Bonds, to make an irrevocable deposit into the Escrow Fund established by the Escrow Agreement for the redemption of all of the outstanding Prior Bonds, described in the table

below, and shall cause the Prior Bonds to be redeemed on August ____, 2004 at the redemption prices set forth in the table below. Upon their defeasance, the Prior Bonds will no longer be deemed to be outstanding under the Indenture, except as to the right of the owners of such Prior Bonds to receive payment from the Escrow Fund.

PRIOR BONDS TO BE CALLED FOR REDEMPTION

Maturity Date (July 1)	Par Amount	Coupon Rate	Redemption Price	CUSIP* (Base: 797707)
2005	$4,135,000	5.60%	102%	CT1
2006	4,370,000	5.70	102	CU8
2007	4,615,000	5.80	102	CV6
2009	10,055,000	5.90	102	CX2

**Copyright 2004, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Neither the Port Commission nor the Underwriters assume any responsibility for the accuracy of such data.*

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds of the Bonds, and other available amounts, are expected to be applied approximately as set forth below:

Sources	
Principal Amount of Bonds	
Original Issue Premium/Discount	
Reserve Fund from Prior Bonds	
Debt Service Fund from Prior Bonds	
Total Sources of Funds	
Uses	
Deposit to Escrow Fund	
Deposit to Reserve Fund	
Costs of Issuance*	
Underwriters' Discount	
Total Uses of Funds	

* Including fees of rating agencies, financial advisors, legal counsel, bond insurance premium, verification agent, printing costs, and other miscellaneous expenses relating to the issuance of the Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Limited Obligations

The Bonds are special, limited obligations of the Port Commission secured by and payable solely from Net Revenue (as defined in the Indenture) and from moneys held in certain funds and accounts established pursuant to the Indenture. The Bonds are not a debt or obligation of the City and County of San Francisco, the State of California or any political subdivision thereof (other than the Port Commission payable solely from Net Revenue). Neither the credit nor the taxing power of the City and County of San Francisco, the State of California or any political subdivision thereof is

pledged to pay the principal of and interest on the Bonds. The Port Commission has no taxing power.

Pledge of Net Revenue Under the Indenture

The Indenture provides that the Bonds shall be payable as to principal, premium, if any, and interest exclusively from, and shall be secured by a pledge of, first lien on and security interest in Net Revenue. "Net Revenue" is defined under the Indenture to mean Revenue (as defined below) less (i) Operation and Maintenance Expenses (as defined below) and (ii) all amounts required for payments of the Prior Lien Bonds. The Port Commission currently has no Prior Lien Bonds outstanding. Under the Indenture, for the benefit of the Bondholders, the Port Commission also grants a first lien on and security interest in, amounts on deposit from time to time in the Funds and Accounts created pursuant to the Indenture, subject to the provisions of the Indenture and any Supplemental Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth in the Indenture.

"Revenue" is defined under the Indenture to mean, except as provided below, all revenue earned by the Port Commission from or with respect to its management, supervision, operation and control of the Port Area (generally defined under the Indenture as the property owned, controlled or operated by the Port Commission or over which the Port Commission has management, supervision or control, or which the Port Commission deems to be of benefit to the Port Area), as determined in accordance with generally accepted accounting principles. Revenue does not include: (a) interest income on, and any profit realized from, the investment of the proceeds of any Special Facility Bonds (as described herein); (b) Special Facility Revenue (as described herein) and any interest income or profit realized from the investment thereof, unless such receipts are designated as revenue by the Port Commission; (c) grants-in-aid, donations and/or bequests, which by their terms would be restricted to uses inconsistent with the purposes provided under the Indenture; (d) insurance proceeds which are not deemed to be Revenue in accordance with generally accepted accounting principles; (e) the proceeds of any condemnation award; (f) the proceeds of any sale of land, buildings or equipment, to the extent such sale is extraordinary or non-recurring; and (g) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Funds or Delivery Costs Funds or any other construction fund funded from the proceeds of Refunded Bonds or any Subordinate Bonds, or (ii) the Debt Service Fund which constitute capitalized interest, to the extent required to be paid into the Debt Service Fund, or (iii) the Reserve Fund if and to the extent there is any deficiency therein.

The Port Commission currently does not derive revenue from any facility classifiable as "Special Facility Revenue" under the Indenture and does not have any "Special Facility Bonds" outstanding.

"Operation and Maintenance Expenses" is defined under the Indenture to mean, for any period, all expenses of the Port Commission incurred for the operation and maintenance of the Port Area, as determined in accordance with generally accepted accounting principles. Operation and Maintenance Expenses do not include: (a) the principal of, premium, if any, or interest (including capitalized interest) on any Bonds, Subordinate Bonds or general obligation bonds issued by the City for Port Area purposes; (b) any allowance for amortization, depreciation or obsolescence of the Port Area; (c) any expense for which, or to the extent to which, the Port Commission is or will be paid or reimbursed from or through any source that is not included or includable as Revenue, including, but not limited to, Special Facility Revenue; (d) any extraordinary items arising from the early extinguishment of debt; (e) any costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to the Port Area which, under generally accepted accounting principles, are properly chargeable to the capital account or any reserves for depreciation; (f) any losses from the sale, abandonment, reclassification, revaluation or other disposition of any Port Area properties; and (g) extraordinary items that are unusual or unrelated to the Port Commission's ordinary activities and would occur infrequently.

Operation and Maintenance Expenses include the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Port Commission may establish or the Board of Supervisors may require with respect to employees of the Port Commission.

Application of Revenue Under the Charter and Indenture

Under the Charter and the Indenture, all Revenue as received is required to be set aside and deposited by the Treasurer of the City in the San Francisco Harbor Trust Fund (the "Enterprise Fund").

The Charter provides that moneys in the Enterprise Fund shall be applied by the City Treasurer for the following purposes in the following order of priority:

(a) for the payment of maintenance and operating expenses, pension charges and proportionate payments to such compensation and other insurance and accident reserve funds as the Port Commission may establish or the Board of Supervisors of the City may require;

(b) for payment of the principal of and interest on any obligations of the State of California and assumed or agreed to be paid by the City;

(c) for the payment of principal, interest, reserve funds, sinking funds, and other funds established for the benefit of revenue bonds (which includes the Bonds) issued pursuant to the authority contained in Section 7.305 of the Charter;

(d) for capital improvements to the properties of the Port or used in connection with the operation thereof;

(e) for the payment of the principal of and interest on any general obligation bonds issued by the City for the acquisition, construction, repair or extension of the Port or of any of the facilities used in connection therewith;

(f) for the accrual of an amount which shall be sufficient to meet the cost of reconstruction and replacement made necessary by the physical and functional depreciation of any of the properties or equipment of the Port as the same shall occur;

(g) for the payment of any extension and betterments to the Port or to the equipment and facilities thereof; and

(h) for the establishment of a surplus or sinking fund for the improvement or extension of the Port or any facility used in connection therewith.

In conformity with the priorities established under the Charter, the Indenture provides that moneys in the Enterprise Fund shall be applied by the Treasurer for the following purposes and in the following amounts and order of priority, each priority to be fully satisfied before the next priority:

(a) *Operation and Maintenance Expenses and Payments on Prior Lien Bonds.* An amount equal to (i) the Operation and Maintenance Expenses as the same become due and (ii) all payments required on account of the Prior Lien Bonds pursuant to the terms thereof and the Charter shall be transferred and applied for such purposes. There are no Prior Lien Bonds outstanding, and no bonds having a higher priority of payment than the Bonds may be issued by the Port Commission.

(b) *Debt Service Fund Transfer.* To the Trustee for deposit in the Debt Service Fund such amount as shall be necessary:

(i) to make all payments and deposits required to be made into the Debt Service Fund and the Reserve Fund with respect to the payment of Bonds (as further described below) and the payment or reimbursement of a Credit Provider for Repayment Obligations to the extent provided in the Indenture or in the Supplemental Indentures with respect thereto (in addition, if and to the extent provided for in any Supplemental Indenture authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of, and Swap Receipts paid directly into, the account or accounts in the Debt Service Fund established with respect to such Series of Bonds); and

(ii) to make all payments and deposits required to be made into any funds and accounts created to pay or secure the payment of the Principal Amount or purchase price of or interest or redemption premium on any Subordinate Bonds in the amounts and at the times required by the resolutions and other agreements authorizing the issuance and providing the terms and conditions thereof.

(c) *General Purposes.* Any amounts remaining after the applications pursuant to paragraphs (a) and (b) above shall be used for any lawful purpose of the Port Commission and in accordance with all relevant provisions of the Charter (see paragraphs (d) through (h) of application of Port revenues under the Charter described above).

The Second Supplement to the Indenture establishes the Series 2004 Interest Account and the Series 2004 Principal Account within the Debt Service Fund for the deposit of amounts to be transferred to pay the debt service on the Bonds. The Port Commission will be required to make payments to the Trustee for deposit into the Debt Service Fund as follows:

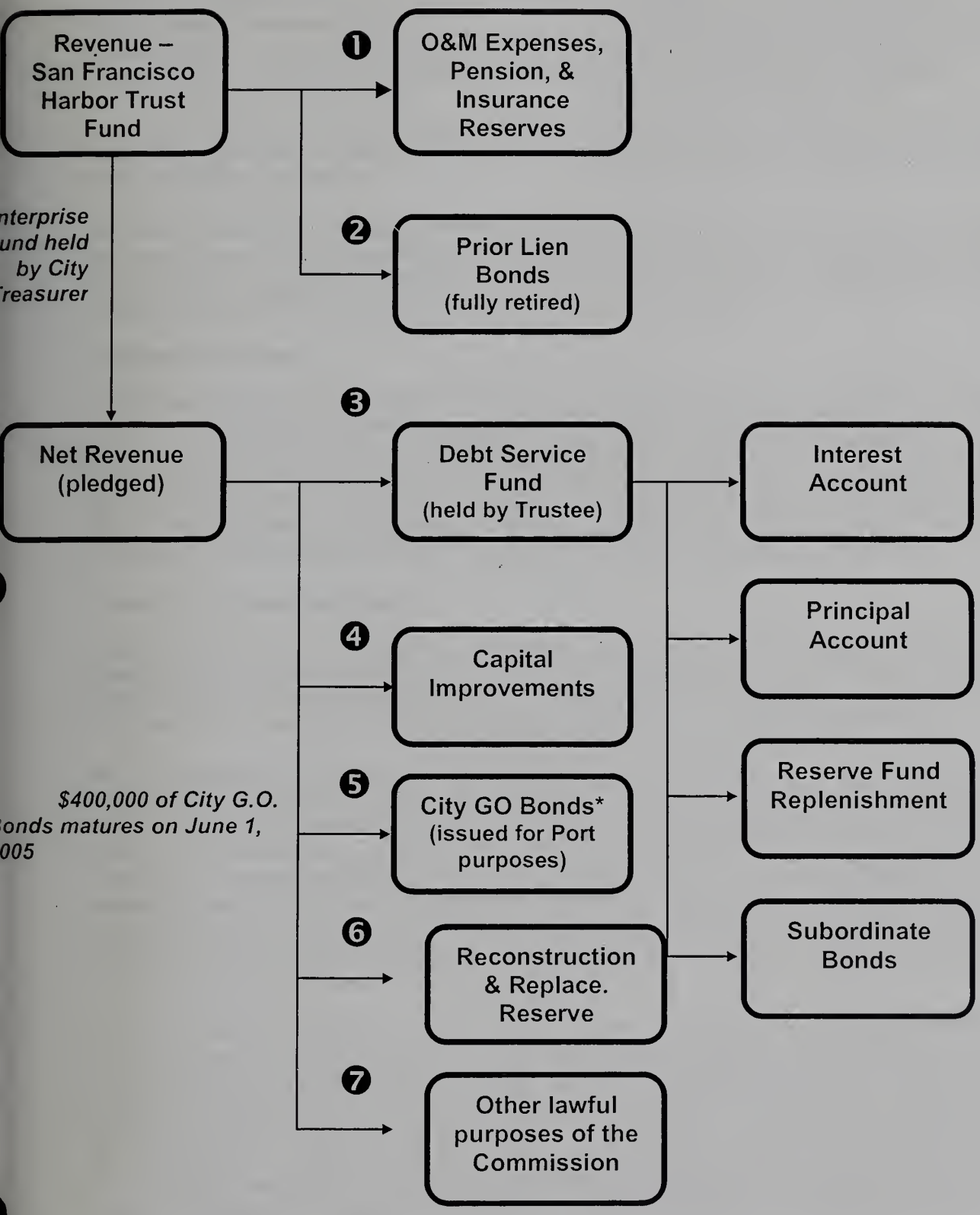
(a) to the Series 2004 Interest Account on or before the first Business Day of each month, commencing September 1, 2004, in an amount equal to (i) for the first four monthly transfers, one-fourth (1/4) of the interest to become due on the Series 2004 Bonds on January 1, 2005, and (ii) thereafter, one-fifth (1/5) of the interest to become due on the Series 2004 Bonds on the next succeeding Series 2004 Interest Payment Date (or the then occurring Series 2004 Interest Payment Date, as the case may be);

(b) to the Series 2004 Principal Account on or before the first Business Day of each month, commencing September 1, 2004, in an amount equal to one-tenth (1/10) of the Principal Amount to become due on the Bonds on the next succeeding Series 2004 Principal Payment Date (or the then occurring Series 2004 Principal Payment Date, as the case may be); and,

(c) immediately after making the transfers described in paragraphs (a) and (b) above, to the Reserve Fund, on or before the first Business Day of each month, commencing September 1, 2004, in an amount equal to that sum, if any, necessary to restore the Reserve Fund to an amount equal to the Reserve Requirement.

Flow of Funds. The following table provides a graphic presentation of the flow of funds under the Charter and the Indenture for revenues received by the Port:

Flow of Funds



Reserve Fund

The Indenture establishes a Reserve Fund for the Bonds. Upon delivery of the Bonds, the Reserve Fund will be funded in an amount equal to $_____, which is equal to the initial Reserve Requirement for the Bonds. The Reserve Requirement is defined under the Indenture. See Appendix C—"SUMMARY OF THE LEGAL DOCUMENTS—The Indenture—Reserve Fund" set forth herein.

Moneys in the Reserve Fund and the accounts therein will be held in trust for the benefit and security of the Holders of the Bonds to which such accounts are pledged, and may not be available to pay or secure the payment of any other Bonds.

The Reserve Requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank under the terms and conditions set forth in the Indenture. See Appendix C—"SUMMARY OF THE LEGAL DOCUMENTS—The Indenture—Reserve Fund" set forth herein.

Permitted Investments

The Indenture provides that moneys in all funds and accounts held by the Trustee under the Indenture shall be invested upon receipt in Permitted Investments as directed by the Port Commission. For a summary of the definition of Permitted Investments and information regarding the investment of moneys held in the various funds and accounts relating to the Bonds, see Appendix C— "SUMMARY OF THE LEGAL DOCUMENTS— The Indenture— Investment of Moneys" attached hereto. For information regarding the investment of moneys held in the various funds and accounts of the Port, see "PORT FINANCES AND REVENUE OPERATIONS— Investment Policy and Investments" herein.

Covenant to Maintain Net Revenue

Under the Indenture, the Port Commission covenants that it will maintain its business operations and establish and at all times maintain rentals, rates, fees and charges for the use of the Port Area and for services rendered by the Port Commission in connection with the Port Area so that Net Revenue in each fiscal year will be at least equal to 130% of aggregate Annual Debt Service for such fiscal year.

The Port Commission also covenants that if Net Revenue in any Fiscal Year is less than the amount described in the paragraph above, the Port Commission will retain and direct a Port Consultant to make recommendations as to the revision of the Port Commission's business operations and/or its schedule of rentals, rates, fees and charges for the use of the Port Area and for services rendered by the Port Commission in connection with the Port Area, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the Port Commission shall take all lawful measures to revise its business operations and/or its schedule of rentals, rates, fees and charges in accordance with such recommendations as may be necessary to produce Net Revenue in the amount described in the paragraph above in the next succeeding Fiscal Year.

In the event that Net Revenue for any Fiscal Year is less than the amount described above, but the Port Commission promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise its business operations and/or its schedule of rentals, rates, fees and charges as required by the Indenture, such deficiency in Net Revenue shall not constitute an Event of Default under the Indenture. Nevertheless, if after taking the measures required by the Indenture to revise its business operations and/or its schedule of rentals, rates, fees and charges, Net Revenue in such next succeeding Fiscal Year (as evidenced by the audited financial statements of the Port Commission for such Fiscal Year) is less than the amount described above, such deficiency in Net Revenue shall constitute an Event of Default.

See "CERTAIN RISK FACTORS" herein for a description of certain risk factors that could adversely affect the ability of the Port to fulfill its covenant to maintain Net Revenue.

Additional Bonds and Other Indebtedness

Pursuant to the Indenture, the Port Commission is permitted to issue additional bonds and to enter into additional obligations secured by Net Revenue on a parity with the payment of principal of and interest on the Bonds, provided that the conditions described below are satisfied.

Additional Bonds. Under the Indenture, the Port Commission may not issue any additional Series of Bonds (other than refunding Bonds as described below) unless the Trustee has been provided with, among other things:

(a) a report of a Financial Consultant dated within 30 days prior to the date of delivery of the Bonds verifying the calculations of the Port Commission that for the period from and including the first full Fiscal Year following the issuance of such Bonds during which no interest on such Bonds is expected to be paid from the proceeds thereof through and including the later of (i) the fifth full Fiscal Year following the issuance of such Bonds or (ii) the third full Fiscal Year during which no interest on such Bonds is expected to be paid from the proceeds thereof, projected Net Revenue in each such Fiscal Year will be at least sufficient to satisfy the rate covenant set forth in the Indenture (see "Covenant to Maintain Net Revenue" above); and,

(b) a certificate of the authorized Port Commission representative certifying that Net Revenue in the most recently completed Fiscal Year, or, alternatively, any 12 consecutive months of the most recently completed 18 months, was at least equal to 130% of Maximum Annual Debt Service on the Bonds Outstanding and on the Bonds proposed to be issued.

In determining projected Net Revenue for purposes of paragraph (a) above, the Port Commission may take into account any reasonably anticipated changes in Revenue and Operation and Maintenance Expenses over such period, which assumed changes and the basis therefor shall be described in the calculations provided by the Port Commission. In determining Annual Debt Service for purposes of paragraphs (a) and (b) above, (i) Bonds that will be paid or discharged immediately after the issuance of the Series of Bonds proposed to be issued from the proceeds thereof or other moneys shall be disregarded, and (ii) Variable Rate Bonds and variable rate Interest Rate Swaps shall generally be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the lower of one hundred twenty-five percent (125%) of the average Index Rate (i.e., generally defined under the Indenture as the *Bond Buyer* 25-Bond Revenue Index) during the twelve calendar months immediately preceding the date on which such calculation is made or the maximum rate of interest payable under such Bonds or Interest Rate Swaps.

The Port Commission may also issue Bonds for the purpose of refunding any Bonds or Subordinate Bonds on or prior to maturity. The Port Commission may issue refunding Bonds only (i) upon compliance with the conditions set forth with respect to additional Bonds described above, or (ii) if the Port Commission shall deliver to the Trustee a report of a Financial Consultant to the effect that Maximum Annual Debt Service with respect to all Bonds to be Outstanding after issuance of such refunding Bonds shall not exceed Maximum Annual Debt Service with respect to all Bonds Outstanding immediately prior to such issuance.

Other Indebtedness. There currently are outstanding $400,000 in aggregate principal amount of general obligation bonds of the City issued for Port purposes maturing on June 1, 2005, which are payable from Net Revenue on a basis subordinate to the Bonds. In addition, the Port Commission has a loan from

a state agency in a principal amount of $3.5 million, payable from Net Revenue on a basis subordinate to the Bonds. See "TERMS OF THE BONDS—Application of Revenue Under the Charter and Indenture—Flow of Funds."

Repayment Obligations as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement between the Port Commission and a Credit Provider, a Repayment Obligation (other than a Repayment Obligation with respect to a Credit Facility credited to the Reserve Fund) may be accorded the status of an obligation payable on a parity from Net Revenue with the Bonds for purposes of securing such Repayment Obligation under the Indenture. The foregoing rights of a Credit Provider are in addition to any rights of subrogation which the Credit Provider may otherwise have or be granted under law or pursuant to any Supplemental Indenture.

Interest Rate Swaps as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement establishing an Interest Rate Swap between the Port Commission and a Swap Counter Party, a Swap Payment may be accorded the status of an obligation payable on a parity from Net Revenue with the Bonds for purposes of securing such obligation to make Swap Payments under the Indenture. Notwithstanding the foregoing, in no event shall any termination payments due with respect to any Interest Rate Swap be payable from Net Revenue on a parity with the Bonds, unless such termination payments are insured by a Credit Facility that (i) has a term of the same duration as the term of the Interest Rate Swap and (ii) is provided by a Credit Provider with long-term credit ratings in the highest rating categories of the Rating Agencies then rating the Bonds.

Special Facilities and Special Facility Bonds. The Port Commission from time to time, subject to the terms and conditions of the Indenture and all applicable laws, may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is located within the Port Area or part of any facility or structure at the Port Area as a " Special Facility," (b) provide that revenues earned by the Port Commission from or with respect to such Special Facility shall constitute "Special Facility Revenue" and shall not be included as Revenue, and (c) issue Special Facility Bonds primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility. The Special Facility Bonds shall be payable as to principal, purchase price, if any, redemption premium, if any, and interest from and secured by the Special Facility Revenue with respect thereto, and not from or by Net Revenue. The Port Commission from time to time may refinance any such Special Facility Bonds with other Special Facility Bonds.

No Special Facility Bonds may be issued by the Port Commission unless there shall have been filed with the Trustee (i) a certificate of the Port Commission to the effect that no Event of Default then exists under the Indenture, (ii) an opinion of Bond Counsel to the effect that such Special Facility Bonds may lawfully be issued in accordance with the Charter and all other applicable laws and (iii) a report of a Financial Consultant verifying the following calculations made by the Port Commission:

(a) the estimated Special Facility Revenue with respect to the proposed Special Facility are at least sufficient to pay the principal (either at maturity or by mandatory sinking fund redemptions) or purchase price of and interest on such Special Facility Bonds as and when the same shall become due, all costs of operating and maintaining such Special Facility to be paid by the Port Commission, and all sinking fund, reserve fund and other payments required with respect to such Special Facility Bonds as and when the same will become due; and,

(b) the estimated Net Revenue calculated without including the Special Facility Revenue and without including any operation and maintenance expenses of the Special Facility as Operation and Maintenance Expenses will be sufficient so that the Port Commission will be in compliance with the rate

covenant under the Indenture (see "Covenant to Maintain Net Revenue" above) during each of the five full Fiscal Years immediately following the issuance of such Special Facility Bonds.

At such time as the Special Facility Bonds issued for a Special Facility, including Special Facility Bonds issued to refinance such Special Facility Bonds, are fully paid or otherwise discharged and no longer outstanding, the Special Facility Revenue with respect to such Special Facility shall be included as Revenue.

Subordinate Bonds. Under the Charter, no voter approval is required with respect to revenue bonds authorized and issued by the Port Commission for any Port-related purpose and secured solely by Port revenues. See "Additional Bonds Test" above. Under the Indenture, the Port Commission may issue at any time Subordinate Bonds with a pledge of, lien on, and security interest in Net Revenue which are junior and subordinate to those of the Bonds. The principal and purchase price of and interest, redemption premium and reserve fund requirements on such Subordinate Bonds are payable from time to time out of Net Revenue only if all amounts then required to have been paid or deposited under the Indenture from Net Revenue with respect to principal, purchase price, redemption premium, interest and reserve fund requirements on the Bonds then Outstanding shall have been paid or deposited as required in the Indenture.

Historical Operating Results and Debt Service Coverage

The historical coverage ratios of Net Revenue to debt service on the Prior Bonds are shown in the following table, calculated in accordance with the Indenture.

PORT OF SAN FRANCISCO
Net Revenue Coverage
For Fiscal Years Ended June 30

(Amounts in 000's)	*1999*	*2000*	*2001*	*2002*	*2003*
Revenues					
Maritime	$6,945.8	$7,860.9	$8,261.8	$9,313.4	$12,721.9
Real Estate & Asset Management	34,754.0	37,234.2	40,377.7	40,175.4	39,822.8
Interest Income [1]	2,811.6	2,933.4	2,814.0	2,692.8	1,641.6
Other Operating Revenue [2]	1,041.3	934.6	1,706.0	1,004.6	1,518.9
Total Revenues	$45,552.7	$48,963.1	$53,159.5	$53,186.2	$55,705.2
Operating Expenses					
Operations & Maintenance [3]	26,569.4	28,986.0	35,965.2	45,271.3	46,359.9
Total Operating Expenses	$26,569.4	$28,986.0	$35,965.2	$45,271.3	$46,359.9
State G.O. Bond Debt Service	287.9	0.0	0.0	0.0	0.0
Net Revenues	$18,695.4	$19,977.1	$17,194.3	$7,914.9	$9,345.3
Historic Debt Service					
1994 Bonds	$5,348.5	5,324.7	5,325.5	5,307.2	5,285.7
Historic Debt Service Coverage	**3.50%**	**3.75%**	**3.23%**	**1.49%**	**1.77%**
Projected Maximum Annual Debt Service					
Projected 2004 Bonds*	4,566.4	4,566.4	4,566.4	4,566.4	4,566.4
Projected Historic Debt Service Coverage	4.09%	4.37%	3.77%	1.73%	2.05%

Source: Port of San Francisco

[1] Interest income from funds on deposit with the City Treasurer plus late charges from tenants.
[2] Excludes $402,700 in grants for operating activities in Fiscal Year 2003.
[3] Excludes amortized dredging costs.

* Preliminary, subject to change.

BOND INSURANCE

[TEXT TO COME]

THE PORT OF SAN FRANCISCO

Introduction and Overview

The San Francisco Port Commission was established on January 16, 1969 pursuant to the Charter of the City and in conformity with the provisions of California Statutes 1968, Chapter 1333 (the "Burton Act"), in connection with the transfer of the Port from the State to the City. Such transfer was authorized by the Legislature and approved by the Governor, and made effective on February 7, 1969. See Appendix F— "SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE LEGISLATION."

The Port Commission is responsible for the seven and one-half miles of San Francisco Waterfront adjacent to San Francisco Bay, which the Port develops, markets, leases, administers, manages, and maintains. Its jurisdiction stretches along the waterfront from Hyde Street Pier on the north to India Basin on the south. The Port's operating portfolio is comprised of over 550 ground, commercial, retail, office, industrial and maritime industrial leases, including many internationally recognized landmarks such as Fisherman's Wharf, Pier 39, the Ferry Building, SBC Ballpark (home of the San Francisco Giants baseball team) and portions of the Mission Bay medical research and biotech industry/residential community development.

The Port's real property, equipment and facilities are situated across more than 600 acres, consisting of both landside and waterside property. These facilities are dedicated to ground lease development, full service and net office uses, industrial facilities, fish processing and related activities, maritime uses, commercial and industrial uses, restaurant and retail opportunities, public and private utility and telecommunications facilities, commercial parking and other uses ancillary to this list.

Governing Body, Executive Management and Regulatory Control

The five-member Port Commission, which is the successor of the Board of State Harbor Commissioners, governs the Port. The Port Commissioners, appointed by the Mayor and subject to confirmation by the Board of Supervisors of the City, serve four-year terms and elect the Port Commission President and Vice-President to one-year terms. Through resolutions and directives, the Port Commission sets policy for the Port.

The Port's business and administrative functions are directed and managed by the Port Commission and an executive, managerial and support staff. The policies set by the Port Commission are implemented by the Port's Executive Director. The Executive Director acts as chief executive of the Port, is appointed by the Mayor, serves at the pleasure of the Port Commission, and is charged with the management of all the offices and activities placed under the jurisdiction of the Port Commission. Through the following Deputy Directors, the Executive Director manages all activities under the jurisdiction of the Port Commission: Maritime; Real Estate; Planning and Development; Engineering and Maintenance; and Finance and Administrative Services. In addition, the Executive Director oversees the Communications Department, Government Affairs Department, and Environmental Health and Safety Department. See "San Francisco Port Commission" and "Senior Port Management" herein.

San Francisco Port Commission

Wilfred W. Hsu - President. Wilfred W. Hsu was appointed to serve on the Port Commission in May 2003 by then-Mayor Willie L. Brown Jr. and elected President in January 2004. Mr. Hsu has also

served as a Commissioner on the City's Human Rights Commission and the State's World Trade Commission and has served on the boards of several civic organizations. Mr. Hsu founded two successful real estate development and property management firms for which he is President and CEO. Commissioner Hsu received a degree in Architecture from the University of Southern California. Mr. Hsu's term expires in May 2006.

Michael Hardeman – Vice-President. Mr. Hardeman has served on the Port Commission since 1994, when he was appointed by then-Mayor Frank Jordan. Mr. Hardeman served as President of the Commission in 1996, 1997, 2002 and 2003. Prior to serving on the Port Commission, Mr. Hardeman served on the City's Human Rights Commission and Public Utilities Commission. Active in labor leadership for several years, Mr. Hardeman is involved with, and on the boards of, numerous Bay Area Labor and Building Trades Councils, several nonprofit organizations and other civic organizations. Mr. Hardeman's term expires in May 2006.

Susan Bierman, Commissioner. Susan Bierman was appointed to serve on the Port Commission in 2003 by then-Mayor Brown. Prior to serving on the Port Commission, Ms. Bierman was a member of the Board of Supervisors of the City and County of San Francisco from 1996 through 2002. Ms. Bierman has also served on the Planning Commission for the past 16 years. Ms. Bierman has also been a member of the Waterfront Advisory Board, which served an integral role in developing the Waterfront Land Use Plan. Commissioner Bierman's other civic roles have included serving on boards or commissions of various local organizations, including the Metropolitan Transportation Commission, the San Francisco Bay Conservation and Development Commission, and the San Francisco County Transportation Authority. She has been elected biannually to the San Francisco Democratic County Central Committee since 1974. Ms. Bierman's term expires in May 2006.

Kimberly K. Brandon, Commissioner. Kimberly K. Brandon was appointed by then-Mayor Brown in August 1997 and served as Vice-President in 1998 and 1999 and President in 2000 and 2001. Ms. Brandon has been actively involved in the Port's city-wide community outreach efforts, serving in a leadership role on the Southern Waterfront Advisory Committee (SWAC). Ms. Brandon has lead the Port's efforts in fostering international trade relations with sister ports in the People's Republic of China, Vietnam and Mexico. Ms. Brandon, a Vice President and Relationship Manager at Bank of America Private Bank, is also active in other civic roles, serving on various nonprofit boards. Ms. Brandon co-founded the Advisory Board of the San Francisco Microcredit Loan Fund. Commissioner Brandon is a graduate of San Francisco State University. Ms. Brandon's term expires in May 2005.

Ann B. Lazarus, Commissioner. Ann Blumlein Lazarus was appointed to the San Francisco Port Commission by Mayor Gavin Newsom in May 2004. Ms. Lazarus has been the Chief Executive Officer of Mount Zion Health Fund, a grant-making public charity, since 1991. With experience as a corporate planner and Director of Investor Relations for Pacific Gas and Electric Company, Ms. Lazarus brings extensive experience in both the public and private sectors. Ms. Lazarus has been the director of a health resource center, as well as a program consultant to several mayoral administrations. She also serves as the chair of the trustees of a multi-employer retirement plan, and has provided fund management counsel to multiple organizations. Commissioner Lazarus holds a Bachelor of Arts degree and MBA degree from Stanford University, and a Masters in Urban Studies from Occidental College, granted in conjunction with a Coro Foundation Fellowship. Ms. Lazarus' term expires in May 2008.

Senior Port Management

Monique Moyer - Executive Director. Monique Moyer is the Executive Director of the Port of San Francisco, appointed to the post by Mayor Gavin Newsom and confirmed by the Port Commission in April 2004. Prior to joining the Port of San Francisco, Ms. Moyer served for seven years as the Director

of the Mayor's Office of Public Finance and Business Affairs under then-Mayor Brown, managing the City's $1.6 billion debt portfolio and new issuance of all debt secured by property taxes and general fund sources. During her tenure with the Mayor's Office, the City received rating upgrades from Standard & Poor's and Moody's Investors Service. In addition to her role at the Mayor's Office of Public Finance and as Executive Director of the Port, Ms. Moyer serves on the Treasure Island Development Authority, the Government Finance Officers Association's Debt and Fiscal Policy Subcommittee, the California Debt and Investment Advisory Commission's Technical Advisory Committee on Debt, and the Citizen's Oversight Committee of the City College of San Francisco. Ms. Moyer received a Bachelor of Arts degree in Economics from Grinnell College, Iowa.

Kenneth E. Winters – Deputy Director, Real Estate. Kenneth E. Winters joined the Port of San Francisco as the Director of Real Estate in August 2002 after more than 20 years' experience in financial investment, real estate portfolio management and strategic planning in United States and international markets. While a principal at AEW Capital Management in Boston, Mr. Winters was responsible for negotiating and completing more than $800 million of real estate investment transactions and managed a $2.5 billion real estate portfolio. Mr. Winters earned a Bachelor's degree in Economics from St. Mary's University in San Antonio, Texas and a Masters in Finance from Golden Gate University in San Francisco.

Mr. Winters manages a staff of ten asset, property and leasing managers and an administrative staff of eight. The Real Estate Division staff overseas all asset management, property and lease administration, marketing and leasing functions for the Port's commercial and industrial properties.

Peter A. Dailey – Deputy Director, Maritime. Peter A. Dailey has been Director of Maritime for the Port since 1997, when the position was created to oversee the Port's wide variety of marine industries. Mr. Dailey previously served the Port as its marketing manager. Active in numerous professional and social organizations, Mr. Dailey is a director of the San Francisco Marine Exchange and the San Francisco Bay Planning Coalition and a member of the Seaport Plan Advisory Committee of the Bay Conservation and Development Commission. Mr. Dailey has a degree in economics and business administration from Saint Mary's College in Moraga, California, where he is also a trustee of the college's East Bay Scholarship Fund. Mr. Dailey also has an MBA in Marketing from Golden Gate University in San Francisco.

Mr. Dailey manages a staff of ten including an assistant deputy director, three wharfingers, three marketing representatives and a marina assistant manager, as well as an administrative staff of two. The Maritime Division overseas all Port maritime functions including the administration of the Port's terminal agreements and its maritime industrial and harbor services leases.

Tina Olson – Deputy Director, Finance and Administrative Services. Tina Olson joined the Port as the Director of Finance and Administrative Services in May 2004. Prior to joining the Port, Ms. Olson was the Manager of Budget and Finance for the City's Department of Public Works ("DPW") for eight years, where she managed DPW's approximately $150 million annual budget, developed capital project financial plans for city-wide capital programs ranging from $200 million to $500 million, analyzed local, state and federal legislation, reconciled capital project accounts and analyzed DPW's actual expenditure and revenues. Ms. Olson has a Bachelor of Arts degree in Economics and Political Science from the University of California, Santa Cruz and a Masters degree in Public Administration from San Francisco State University.

Ms. Olson oversees the Port's Administrative Services, Human Resources, Information Services, Accounting and Financial Planning Departments and their combined staffs of 37 employees. These

departments administer to the Port's internal business, information, and personnel functions and its accounting and financial planning and analysis needs.

Byron A. Rhett – Deputy Director, Planning and Development. Byron A. Rhett has been Deputy Director of Planning and Development at the Port since 2000, after 21 years at the San Francisco Redevelopment Agency, most recently as a senior project manager. While at the Redevelopment Agency, Mr. Rhett managed the Hunters Point Shipyard project and nearby Bayview Hunters Point neighborhood development projects. Prior to his work for the Redevelopment Agency, Mr. Rhett was a planner for the City of Newark, New Jersey, and the Newark Watershed Conservation and Development Corporation. Mr. Rhett holds a Bachelor's degree in Urban Planning and Design from the University of Cincinnati and was a National Urban Fellow at Occidental College.

Mr. Rhett oversees the Port's Planning and Regulatory Compliance Departments as well as the project management of the Port's public-private development projects. In that capacity, Mr Rhett manages two assistant deputy directors, four planners, associate planners and analysts and development project coordinators, and an administrative staff of two.

Alexander K. Lee – Deputy Director, Engineering and Maintenance. Alexander Lee has been Director of Engineering and Maintenance since 1997. From 1983 through 1990, Mr. Lee was an operations manager for the Port's Maintenance Department and Superintendent of Utilities Services. Between 1990 and 1997, Mr. Lee worked at the San Francisco Municipal Railway and for the San Francisco Cable Car system. Mr. Lee began his engineering career with the United States Navy at the Naval Facilities Engineering Command where he managed public works and facilities support services for Navy facilities in Southern California. Mr. Lee has a Bachelor of Science degree in Industrial and Systems Engineering from San Jose State University and a Master's Degree in International Affairs (Economics) from Golden Gate University in San Francisco. In addition, he received a Diploma in Port Management from the International Program for Port Planning and Management of the University of New Orleans.

Mr. Lee supervises a staff of 22 engineers, architects and building inspectors, six safety officers, industrial hygienists, testing technicians and regulatory specialists, a maintenance staff of 104, and an administrative staff of seven. Mr. Lee's responsibilities include overseeing all Port construction and the maintenance and repair of all Port facilities.

Regulatory Environment and Compliance

General. In addition to the Port Commission, a number of local and other regulatory agencies exercise control over Port property and activities. Several regulatory agencies exercise control over land use planning and development of Port properties. The Port is required to comply with the provisions of a number of federal, State, and local laws and regulations designed to protect and enhance the environment and protect public health and safety. These laws and regulations address a wide range of topics including hazardous waste management and remediation, water quality, groundwater quality, sediment quality, air quality, environmental impact analysis, oil spill prevention and clean-up, and occupational health and safety. These regulations and control measures determine many aspects of the Port's use of its existing properties, as well as new developments on Port property.

Four governmental bodies are of particular importance with respect to land use planning and development issues for the Port:

(1) *State Lands Commission ("SLC")* has jurisdiction and oversight responsibilities as to the Port's obligation under the Burton Act to promote the use and development of the Port for public trust purposes

of maritime-related fisheries, commerce, navigation, recreation and open space; see Appendix G—"SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE LEGISLATION" herein.

(2) *San Francisco Bay Conservation and Development Commission ("BCDC")* was established by the California Legislature pursuant to the McAteer-Petris Act in 1965 to limit fill within San Francisco Bay, promote maximum feasible public access to the Bay, and protect the Bay and shoreline from inappropriate development. BCDC has permitting authority that applies to development and real estate leasing on the Port's pile-supported piers, and upland areas within 100 feet of the Bay. BCDC policies applicable to Port properties are contained in the San Francisco Bay Plan, the San Francisco Waterfront Special Area Plan and the Seaport Plan.

(3) *City Board of Supervisors* has legislative authority to adopt zoning ordinances and General Plan amendments (in conjunction with action by the San Francisco Planning Commission), and to hear appeals on conditional use authorizations and the California Environmental Quality Act (CEQA) documents issued by the Planning Commission. The Board of Supervisors also exercises budgetary and fiscal authority over the Port, as with all City departments, including the authority to approve non-maritime leases that exceed a ten year term or $1 million in revenue.

(4) *San Francisco Planning Commission* is the City's established forum for review and discussion of future land use plans and development regulations and projects, for the certification of environmental impact analysis documents pursuant to CEQA, and for the performance of traditional municipal planning review of development and use proposals to ensure compliance with applicable land use regulations and planning policies.

The San Francisco Planning Code and Zoning Map classifies the majority of Port waterfront property as "M-1" (Light Industrial), "M-2," (Heavy Industrial), or "C-2" (Commercial Business). These zoning classifications permit a broad range of commercial and industrial uses and provide for "conditional use authorization" of other specified uses such as housing. While hotels are conditional uses on Port land, San Francisco voters have prohibited the construction of hotels on pile-supported piers. In addition, Port property between Fisherman's Wharf and China Basin is classified as within one of two "Waterfront Special Use Districts" established in the Planning Code, which set forth procedures for review of major non-maritime development projects by a Waterfront Design Advisory Committee. The San Francisco Zoning Map establishes a 40-foot height limit on most Port-owned property sites. The Planning Commission and/or its staff has a specific and significant responsibility in certifying CEQA evaluation documents, and in reviewing and approving certain mixed-use Port development projects that include conditional uses. The Port serves as a co-applicant with its tenants or development partners in applying for and securing all required regulatory permits from other public agencies. The Port issues its own building permits.

In addition, three agencies that play a significant role in regulating Port activities and that have a direct impact on the Bay are:

(1) *U.S. Army Corps of Engineers* has jurisdiction over fill located beyond the Port's "Pierhead line", dredging and dredge sediment disposal by the Port; and

(2) *San Francisco Regional Water Quality Control Board* is the local enforcement agency for the federal Water Pollution Control Act and the State Porter-Cologne Water Quality Act, regulating discharges into the Bay, such as wastewater from the City's wastewater treatment facilities and storm water from municipal and industrial facilities, and discharges, or potential discharges, associated with activities on Port property; and

(3) *U.S. Coast Guard* enforces laws governing the use of navigable waters and also performs a vessel traffic control function for San Francisco Bay and is responsible for administering national oil spill response.

Waterfront Land Use Plan and San Francisco Waterfront Special Area Plan. The Port's ability to fund Port operations, maintain Port property and provide public access and open space improvements depends on its ability to generate revenues from the use of properties under its stewardship. In November 1990, the voters of San Francisco passed Proposition H which imposed a moratorium on non-maritime development on the Port's waterfront property pending the completion of a land use plan for the Port's piers and properties nearest to the shore. Proposition H also banned hotel development on Port property within 100 feet of the shoreline. In response to Proposition H, the Port Commission determined to develop a compromise plan, including all Port properties, and created the Waterfront Plan Advisory Board to recommend a land use plan for Port Commission adoption. The Advisory Board included citizens; maritime, labor and neighborhood representatives; Port tenants; and architects and urban planners. After a more than six-year process of public and community meetings to discuss and consider maritime industry needs, waterfront regulations, community concerns, surrounding land uses, and financial conditions affecting Port lands, the Advisory Board completed a draft plan. In 1997-98, the Port Commission and the Board of Supervisors adopted the Waterfront Land Use Plan (the "Waterfront Plan"), and the San Francisco Planning Commission adopted conforming amendments to the City's General Plan and Planning Code. The Waterfront Plan reserves most Port properties for expansion of maritime operations, and requires creation of new public access, recreation and open space along the Bay. It also identifies sites for compatible new commercial development to improve or rehabilitate capital assets and to provide additional revenues to subsidize maritime industries, fund new public access and open spaces, and stem the continuing deterioration of the Port's aged properties.

Following local adoption of the Plan, the Port commenced discussions with the San Francisco Bay Conservation and Development Commission ("BCDC") concerning the Plan and related regulatory processes. In July 2000, the Port initiated amendments to its Waterfront Plan, and BCDC began amendments to its San Francisco Bay Plan to create mutually consistent plans for the waterfront area between the Hyde Street Pier and China Basin (the San Francisco Waterfront Special Area Plan, referred to herein as the "Waterfront Special Area Plan"). To achieve the Waterfront Special Area Plan, among other things, the Port Commission committed the Port to spend at least $30 million over a 20-year period pursuant to benchmarks set forth in the Special Area Plan and Assembly Bill 1389 discussed below for the removal of certain piers and the construction of major public plazas and other public access improvements. In October 2001, additional State legislation, Assembly Bill No. 1389, accelerated a requirement for the construction of one of the public plazas required in the Waterfront Special Area Plan and authorized approval of the development plans for a cruise ship terminal at Piers 30-32. The estimated $15 million project is scheduled to be fully completed within five years of commencement of construction of the new cruise terminal (estimated to be in 2008). Assembly Bill No. 1389 also ratified the Waterfront Special Area Plan adopted by the Port and BCDC.

Under the Waterfront Special Area Plan, the Port Commission is permitted to utilize other funding sources (such as grants and contributions) to finance the required pier removals and public access improvements. However, until sufficient funding from other sources is secured, the Port must commit significant capital funds to meet the required $30 million dollar expenditure requirement for the Waterfront Special Area Plan projects. As of June 30, 2004, $14.3 million had been appropriated, and $1.6 million had been expended, for projects under the Waterfront Special Area Plan subject to the $30 million of required projects under the Waterfront Special Area Plan.

PORT FINANCES AND REVENUE OPERATIONS

Information herein regarding the Port's historical and projected financial performance, including information regarding its business operations, should be read in conjunction with the section of this Official Statement captioned "CERTAIN RISK FACTORS."

Port Commission Budget and Capital Planning Processes

Budget Process. The Port Commission's annual business planning process defines the responsibilities, goals and strategies of the Port Commission's programs. The budgets of each division of the Port and program reflect its business and service objectives and include clearly stated objectives and measures.

Each division prepares its business plan, containing revenue estimates and resource requirements. The division plans are aggregated into the operating budget for the Port and presented to the Port Commission for approval. The annual operating budget includes all debt service costs, including bonded indebtedness costs. The budget is submitted to the Mayor for approval and then forwarded to the Board of Supervisors for review and approval. The Port's Executive Director is authorized by the Port Commission to make non-material changes to the operating budget. Significant increases to any budget item require the final approval of the Port Commission.

Capital Planning. In addition to the annual operating budget, the Port staff also prepares a Capital Plan annually for approval by the Port Commission, which is included in the annual budget submitted to the Board of Supervisors. In addition to identifying capital needs, the Capital Plan prioritizes projects and recommends sources of funding. The Port Commission includes within its capital planning process plans for its deferred maintenance and facility improvement needs for its maritime and commercial properties. As an integral part of the Capital Plan, capital projects with available resources in the upcoming fiscal year are identified. The Capital Plan also details previously-approved capital projects that are in progress, as well as capital projects that are approved, but for which no current funding has been identified. Funding for capital projects is generated from grants, operating fund reserves, and the Port's operating budget. In the past, certain capital projects have been funded through long-term debt.

Capital plans are approved by the Executive Director and then submitted to the Port Commission for approval. The Capital Plan is then submitted, as part of the Port's annual budget, to the Mayor for approval and then forwarded to the Board of Supervisors for their review and final approval.

The Capital Plan approved by the Port Commission for fiscal year 2004-05 is expected to be approved by the Mayor and the Board of Supervisors, as described above, not later than August 1, 2004. The Capital Plan for fiscal year 2004-05 provides new funding of $6.4 million to 11 capital projects for fiscal year 2004-05 with a total estimated cost of $30.9 million. The fiscal year 2004-05 Capital Plan also includes $56.3 million of other approved capital projects which are in various stages of completion. Of the total, $47.8 million has been funded with the remaining $8.5 million in costs unfunded at this time.

Some costs included in the Port's proposed fiscal year 2004-05 Capital Plan are expected to meet certain of the required $30 million dollar expenditure requirement for the Waterfront Special Area Plan projects. Most of the capital projects address deferred maintenance and facility improvement needs for the Port's maritime and commercial properties, which are estimated to be in excess of $370 million. See "— Operation and Maintenance Expenses— Capital Improvement Costs Related to Deferred Maintenance and Facility Improvements" and "CERTAIN RISK FACTORS—Capital Improvement Costs Related to Deferred Maintenance and Facility Improvements" herein, for a discussion of the Port's capital improvements costs related to its deferred maintenance needs. The fiscal year 2004-05 Capital Plan

currently includes $57.4 million in capital improvement projects related to the Port's deferred maintenance that have been approved by the Port Commission but are currently unfunded. It is expected that the Port will undertake these projects over the next several years as funding becomes available from internally generated Port funds, grant revenues and third-party contributions. See "CERTAIN RISK FACTORS—Economic and Other Constraints on Port Revenues" herein, for a discussion of certain constraints on the ability of the Port to maintain and increase its Revenue and Net Revenue available for the funding of such projects.

Port Operating Revenues-General

The Port's revenues are derived from maritime, commercial and industrial real estate operations, which include the following categories of activities on its property:

- Maritime revenues are derived from cargo shipping (dry and liquid bulk cargo, break bulk cargo and container cargo), dry dock and ship repair services, passenger cruise ship activities, warehousing, harbor services, commercial fishing and other miscellaneous maritime activities.

- Real estate revenues are made up of ground leases and other short and long-term leases of Port property to non-maritime industrial, commercial, retail, office and other business enterprises.

The following table sets forth information about the Port's operating revenues from maritime and commercial and industrial real estate operations, based on an annualization of the current Port rent roll, current minimum rents and calendar year overage rents.

Major Port Operating Revenues [1]
Fiscal Year 2003-04

	Number of Agreements		Annualized Revenue [2]		Square Footage	
	Count	Percent	Amount	Percent	Amount	Percent
Maritime [3]						
Cargo	16	2.9%	$5,458,000	10.9%	3,242,000	17.1%
Various Maritime	22	4.0%	$1,762,000	3.5%	1,047,000	5.5%
Commercial Fishing	75	13.5%	$1,574,000	3.1%	287,000	1.5%
Passenger Cruise	1	0.2%	$1,060,000	2.1%	242,000	1.3%
Harbor Services	7	1.3%	$1,028,000	2.1%	467,000	2.5%
Ship Repair	1	0.2%	$850,000	1.7%	792,000	4.2%
Subtotal Maritime	122	21.9%	$11,732,000	23.5%	6,077,000	32.1%
Real Estate						
Industrial	192	34.5%	$10,363,000	20.7%	5,226,000	27.6%
Restaurant/Retail	65	11.7%	$9,462,000	18.9%	795,000	4.2%
Ground Lease	27	4.9%	$8,433,000	16.9%	5,290,000	28.0%
Parking	12	2.2%	$4,887,000	9.8%	1,143,000	6.0%
Office – Net	86	15.5%	$3,833,000	7.7%	341,000	1.8%
Office – Full Service	52	9.4%	$1,317,000	2.6%	53,000	0.3%
Subtotal Real Estate	434	78.1%	$38,295,000	76.5%	12,848,000	67.9%
Total	556 [4]	100.0%	$50,027,000	100.0%	18,925,000	100.0%

[1] Includes revenues derived from tenancy and operating agreements.

[2] Based on current minimum rents and Calendar Year 2003 percentage rents over base rents.

[3] Including traditional user fees within the maritime industry, such as wharfage, dockage and crane rental.

[4] Port tenants often have more than one tenancy agreement. The 556 agreements are held by 422 tenants.

Historical Financial Performance of the Port Commission. A summary of the Port Commission's historical financial performance as reported in the Port Commission's audited financial statements for the last four fiscal years, and projected results of operations for the fiscal year 2003-04, are shown in the table set forth below.

PORT OF SAN FRANCISCO
Historical and Projected Results of Operations
For Fiscal Year Ending June 30
(Amounts in 000,s of $)

	Projected		Audited		
	2004	**2003**	**2002**	**2001**	**2000**
OPERATING REVENUES					
Maritime					
Cargo	$5,411.3	$5,659.1	$3,797.1	$3,034.8	$2,462.3
Ship Repair	866.0	918.4	1,000.0	959.9	1,000.0
Harbor Services	990.0	966.6	914.5	848.0	817.0
Cruise	1,463.0	963.1	459.4	599.6	688.6
Fishing	1,470.0	1,553.8	1,488.5	1,350.6	1,329.0
Other Marine	1,306.0	1,413.3	1,444.2	1,468.9	1,562.1
Miscellaneous	420.8	1,247.5	209.7	0.0	1.9
Total Maritime	**$11,927.1**	**$12,721.9**	**$9,313.4**	**$8,261.8**	**$7,860.9**
Real Estate & Asset Management					
Commercial/Industrial	32,479.0	32,037.3	32,466.0	31,990.1	30,287.1
Parking	7,751.0	7,466.2	7,379.5	8,189.3	6,548.1
Commercial Power Revenues	0.0	0.0	16.2	20.4	21.7
Filming & Special Event Revenue	115.0	173.4	111.9	132.9	322.2
Miscellaneous	70.0	145.9	201.8	45.0	55.1
Total Real Estate & Asset Management Revenues	**$40,415.0**	**$39,822.8**	**$40,175.4**	**$40,377.7**	**$37,234.2**
Other Operating Revenues	2,601.3	1,921.6	1,004.6	1,706.0	934.6
Total Operating Revenues	**$54,943.4**	**$54,466.3**	**$50,493.4**	**$50,345.5**	**$46,029.7**
OPERATING EXPENSES					
Operations & Maintenance	50,334.7	50,102.3	47,758.8	37,130.4	29,051.9
Depreciation	8,967.8	8,655.3	8,118.6	7,155.8	6,728.0
Total Operating Expenses	**$59,302.5**	**$58,757.6**	**$55,877.4**	**$44,286.2**	**$35,779.9**
Operating Income	**$(4,359.1)**	**$(4,291.3)**	**$(5,384.0)**	**$6,059.3**	**$10,249.8**
Other Income & Expenses					
Interest & Investment Income	1,105.8	1,774.3	3,246.0	4,108.1	3,097.8
Interest Expense	(1,928.7)	(2,315.8)	(2,816.2)	(3,302.5)	(3,595.0)
Gain/(Loss) on Sale of Assets	8,707.9	(2,707.4)	(1,659.2)	(1,213.8)	15.6
Other	9.4	394.0	8,774.7	25,700.0	1,759.0
Total Other Income/(Expense) Net	**$7,894.4**	**$(2,854.9)**	**$7,545.3**	**$25,291.8**	**$1,277.4**
NET INCOME/(LOSS) Before Capital Contribution	**$3,535.3**	**$(7,146.2)**	**$2,161.3**	**$31,351.1**	**$11,527.2**
Capital Grants and Other Contributions	2,376.1	726.4	2,747.1	10,978.1	5,481.0
CHANGE IN NET ASSETS	**$5,911.4**	**$(6,419.8)**	**$4,908.4**	**$42,329.2**	**$17,008.2**

Budget Information for Fiscal Year 2004-05. Excerpted information from the Port's budget for the fiscal year 2004-05 is shown in the table set forth below.

PORT OF SAN FRANCISCO
Fiscal Year 2004-05 Budget
(Amounts in 000,s of $)

OPERATING REVENUES	
Maritime	
Cargo	$4,145.0
Ship Repair	850.0
Harbor Services	1,010.0
Cruise	1,221.5
Fishing	1,446.0
Other Marine	1,097.5
Total Maritime	$9,770.0
Real Estate & Asset Management	
Commercial/Industrial	$32,983.0
Parking	7,323.0
Filming & Special Event	20.0
Miscellaneous	50.0
Total Real Estate & Asset Management	$40,376.0
Other Operating Revenues	2,089.3
Total Operating Revenues	**$52,235.3**
OPERATIONS & MAINTENANCE:	
Personnel Expense	$21,666.3
City-Wide Overhead	(262.7)
Other Current Expenses	1,586.1
Professional & Specialized Services	1,347.1
Utility Expenses	2,009.0
Materials & Supplies	1,593.5
Judgments, Claims & Litigation	1,938.0
Office Rent	2,619.0
Facility Maintenance – Dredging	1,091.4
Charges for Use of City Services	7,813.4
Other Operating & Maintenance Expenses	287.3
Debt Service	$6,133.4
Total Operating & Maintenance Expenses	$47,821.9
Surplus/(Deficit)	$4,413.4

The following table sets forth the ten tenants of the Port generating the highest revenue in fiscal year 2002-03, which lease revenue accounted for 28.7% of the Port's total audited operating revenue.

TOP 10 PORT TENANTS BY FISCAL YEAR 2002-03 REVENUE

Company Name	Revenue	Percent of Operating Revenue	Use	Expiration
	(Thousands)			
China Basin Ball Park Co.	$2,785	5.1%	Ballpark	12/31/2022
			Ballpark Parking	11/15/2009
SF Recycling & Disposal, Inc.	2,205	4.0%	Industrial (Recycling Center)	07/31/2023
Pier 39 Ltd. Partnership	1,627	3.0%	Retail	12/31/2042
Blue & Gold Fleet	1,560	2.9%	Excursions/Ferry	03/31/2015
Central Parking Systems	1,417	2.6%	Parking	04/30/2001[1]
Ferry Building Investors, LLC	1,413	2.6%	Office/Retail Development	04/09/2067
AMB Property, LLP	1,342	2.5%	Office Development	08/01/2049
SFCC Dept. Parking & Traffic	1,240	2.3%	Storage (Towed Autos)	05/31/1999[2]
Hanson Aggregates Mid-Pacific	1,073	2.0%	Maritime Terminals (Dry Bulk Cargo)	02/28/2009; 08/31/2013
San Francisco Redevelopment Agency	955	1.8%	Mixed Use (South Beach Redevelopment Area)	09/25/2050
Total	$15,617	28.7%		

Amounts represent tenant billings net of certain revenue credits and allowances and accounting accrual adjustments.
1 Interim use in area under development negotiations. Lease has continued under holdover provision.
2 New MOU in negotiation following City selection of new tow operator.

Maritime Revenues

The Port's maritime revenues are derived from cargo, cruise, ship repair, commercial and sport fishing, ferry and excursion operations and a full range of harbor services.

Cargo. The Port currently has a general cargo terminal at Pier 80 and bulk terminals at Piers 92 and 94. Cargo revenues overall rose $3,672,900 or 185% from fiscal year 1998-99 to 2002-03.

Dry bulk cargo is the Port's largest cargo commodity, and is currently handled by four different Port tenants through facilities located at Piers 92 through 94. Two additional long-term lease tenants are expected to be operational by early 2005. Container and breakbulk cargo are handled at the Pier 80 Omni terminal. The Port has increased container rates for its remaining container carriers effective August 1, 2004, because of high operating costs and low volumes, reflecting anticipated changes in the Port's focus from containers to breakbulk cargoes. It is expected that such increased rates will cause its existing container shippers to utilize other regional ports, resulting in the conclusion of the Port's container shipping operations. Container operations currently generate approximately $1.5 million in revenue annually and receive an operating subsidy of $2.5 million.

Commercial Fishing. The Port of San Francisco is the center of the commercial fishing industry in Northern California. The Hyde Street Harbor, a $7.5 million fishing marina completed in 2001, and Fisherman's Wharf accommodate more than 200 fishing fleet vessels. The region's major fish processors are located at Fisherman's Wharf and the adjacent Pier 45 Commercial Fishing Center.

Primary Maritime Operations. The Port leases facilities to many companies that operate businesses affiliated with the primary maritime industries. The Port serves as the central terminus for San Francisco Bay ferry routes. The Port has built, maintains and operates ferry terminals at the Ferry Building and The China Basin Ferry Terminal at SBC Ballpark. The Golden Gate Bridge District operates a terminal at the Ferry Building for Marin commuters. In 2003, over 3.5 million passengers passed through the Port's ferry terminals. Ferry and excursion landing fees, miscellaneous maritime rents, real estate leases and fees collected from contractors that provide lay berthing to ships, as well as directly from vessel owners requiring temporary berthing, comprise the revenues included in this category.

Harbor Services. The Port of San Francisco is also the center of Northern California's harbor service industry and leases facilities to tenants providing harbor services to the maritime industry throughout the San Francisco Bay Area. These ancillary operators include tug and tow operators and bar pilots and contractors providing lay berthing to Maritime Administration Ready Reserve (MARAD) ships.

Passenger Cruises. The Port's maritime industries include passenger cruise shipping. In recent years, the Port has experienced a rapid increase in volume of cruise passengers. Between 1999 and 2003, on a calendar year basis, cruise passenger volume at the Port increased by 76.5% (77,809 to 137,315 passengers). In 2003, approximately 137,000 passengers and 80 cruise ships arrived at the Port. In 2004 the four lines providing the majority of ship calls, passengers, and revenue at the Port are projected to have 62 of the 85 total ship calls, approximately 181,000 of the 210,000 expected passengers, and approximately $1.4 million (82%) of the $1.7 million in forecasted Port revenues for fiscal year 2004-05. On average more than 3,000 passengers and crewmembers pass through the cruise terminal every time a passenger cruise ship is in port.

Ship Repair. The Port's sole ship repair yard is operated by a single lease tenant at Pier 70, providing repair services to cruise ships, tanker vessels, bulk carriers, container ships, military vessels, and local bay traffic for maintenance, alterations and repairs. The ship repair tenant, San Francisco Drydock, leases nearly fourteen acres of land and sixteen acres of water from the Port, and offers the largest floating drydock in the Western Hemisphere. Included in the tenant's leasehold are seven cranes and two floating dry-docks, all controlled by the Port. San Francisco Drydock has operated this facility since 1987, and has nearly fourteen years remaining on its lease with the Port.

Existing Real Estate Portfolio and Asset Management

General. The Port is engaged in the marketing, leasing and management of its properties for commercial business uses, including office, retail and restaurants. In the 1970's and 1980's, the Port entered into several ground leases of its seawall lots in the Northeastern Waterfront, providing for the development of significant office space on the waterfront, including the Publicus Building, the Francisco Bay Office Park, the Roundhouse Plaza and the KGO Building. In the Central Waterfront, the Port leased hundreds of thousands of square feet of vacant seawall lots and piers to the San Francisco Redevelopment Agency, with State legislative authorization for the development of thousands of residential units and a major pleasure craft marina. At Fisherman's Wharf, the Port entered into a ground lease in 1977 for Piers 37-41 and two adjacent seawall lots that involved the removal of Piers 37 and 41, and the development of the Pier 39 festival marketplace, with an adjoining marina and parking garage.

By local voter initiative passed in November 1990, all development of Port properties was delayed pending the Port's development of a comprehensive land use plan by the Port Commission. In 1997, after over six years of planning and community input and review, the Port Commission adopted the Port of San Francisco Waterfront Land Use Plan. See "THE PORT OF SAN FRANCISCO—Regulatory Environment and Compliance—Waterfront Land Use Plan and San Francisco Waterfront Special Area Plan" herein. In the last five years, the Port has engaged in the development and marketing of several significant public- private partnership opportunities.

After completion of the Land Use Plan, the Port entered into public-private partnership ground leases for the development of a new baseball park (SBC Park) for the San Francisco Giants. Pier 1 was ground leased by the Port in 1999 and now houses both commercial and office tenants and the Port of San Francisco's headquarters. The landmark Ferry Building, a $100 million project, was ground-leased by the Port and has become a significant attraction as a mixed use retail marketplace and commercial office complex. Construction recently commenced on the historic rehabilitation and redevelopment of Piers 1 ½, 3 and 5 into a new $46 million office and retail project. The 22-story residential condominium project now under construction at Bryant and Beale Streets represents the first phase of the $347 million Bryant Street Pier Project, including the James R. Herman International Cruise Terminal and adjoining office and retail uses to be constructed at Piers 30-32 pursuant to another Port public-private partnership ground lease. In January 2002, another commercial tenant of the Port began construction of a new 25,000 square foot, $15 million, demonstration bakery-restaurant and market hall at the entrance to Fisherman's Wharf under a new 42-year public-private partnership lease.

These long-term master leases with base rents are replacing leases of Port facilities to dozens of individual tenants with short-term leases. Most risks related to such developments are transferred to the ground lease tenant. See "Real Estate Development Projects" below.

Ongoing real estate development activities of the Port are discussed below under "Real Estate Development Projects."

Industrial and Non-Maritime Real Estate Lease Revenues. The largest single lease category, the "industrial" group consists of 192 tenancy agreements and represents 34.5% of all Port agreements. However, the types of industrial tenants vary greatly. Industrial tenant uses range from simple storage to manufacturing and fabrication. The next largest group, the "net office" leases comprise 15.5% of the Port's tenancy agreement mix.

Although diversified in terms of the numbers of users, several categories of Port tenants represent a larger share of Port revenues than do others. The Port's restaurant and retail tenants account for 18.9% of all commercial property lease rents. Similarly, rent from the Port's diversified industrial tenants represent

20.7% of such revenues. The lack of a dominant single category rent source has shielded the Port through recent regional and national economic downturns.

Over 75% of all Port leases provide for periodic fixed or cost of living increases in the base or minimum rents. Most Port retail and restaurant leases provide for the monthly payment of percentage rents utilizing percentage rent factors consistent with national and regional percentage rent experience.

With the exception of the full service office leases (52 leases or 9.4%), most Port commercial property leases are fully or partially net leases, with the tenants responsible for all or some of the property operating expenses including utility fees, some maintenance and repair, liability and fire damage insurance, janitorial expenses and the payment of state and local taxes.

Nearly every Port lease with a term of five years or less contains provisions for termination by the Port in order to effect a public project or facility rehabilitation. Such leases also typically contain provisions for the waiver of relocation costs related to such projects. However, there are remaining tenants with leases that would be entitled to relocation assistance under federal and state law if displaced by a Port development project.

Information regarding the term of leases of the Ports held by current non-maritime tenants of the Port is set forth in the following table.

Port Lease Term Ratios
(As of May 2004)

	Number of Leases		Annualized Revenue	
	Count	Percent	Revenue	Percent
Month-to-Month	228	52.5%	$10,337,000	27.0%
Remaining Term:				
Less than One Year	58	13.4	3,176,000	8.3
One to Five Years	72	16.6	7,004,000	18.3
Greater than Five Years	76	17.5	17,778,000	46.4
Total	434		$38,295,000	

Source: Port of San Francisco.

Real Estate Development Projects

Currently, the Port is negotiating a number of new public-private partnership ground leases. The following new public-private partnership development projects on Port property are in the process of negotiation, although no assurances can be given that any of the described projects will result in a completed project or in increased Net Revenue: (i) Rincon Park Restaurants – a projected $8 million project, proposed to be located on a 20,000 square-foot site at the south end of Rincon Park, would feature two waterfront restaurants offering views of the Bay and Bay Bridge and indoor/outdoor seating areas. (Lease executed; proposed start of construction in 2004); (ii) Piers 27-31 Mixed Use Recreation Project – a projected $168 million, 19-acre project would include the historic rehabilitation of

Piers 29, 29 ½, and Pier 31, general office space, recreational retail, maritime berthing, and restaurant/café uses, with recreational and open space uses that would include a new 100,000 square-foot YMCA building, a 4-acre Marine Sports Basin, an outdoor "Sports Valley", an indoor/outdoor skatepark/BMX track, and Phase 1 of the Northeast Wharf Plaza (proposed start of construction in 2006); (iii) International Museum of Women – a projected $86 million project (including a projected $14 million for museum exhibits, fixtures and furnishings) will involve the development and operation of a museum on Pier 26 to exhibit the global history of women, explore contemporary gender issues, and providing information on social, cultural, economic, and political change, including the retrofit and historic rehabilitation of Pier 26, and will include galleries, an auditorium, library and classrooms, a café and restaurant, performance space, and public access, as well as other uses (proposed start of construction in 2006); and (iv) Embarcadero Hotel at Broadway - a projected $85 million project planned for the corner of Broadway and The Embarcadero, including the development of an hotel consisting of approximately 255 guestrooms, a restaurant, bar, landscaped garden, meeting rooms and retail shops, and a parking garage (proposed start of construction in 2006).

The Port's development projects involve a variety of substantial risks – including development, entitlement, financial, construction, market and operating risks. In the Port's public –private partnership projects, these risks are almost completely shifted to the private development partner. The Port Commission grants long term leases (50-66 years) to the developers. The Port Commission does not typically subordinate its leases to the financing obtained by the private developers, and the Port Commission does not deliver the leasehold to the developer until the developer is able to immediately start construction, with all entitlements, permits, equity and debt financing, construction contracts, insurance, and guarantees in place. Until the leasehold is delivered to the developer, the Port continues to receive rents from the interim tenants in occupancy. With a few exceptions, there is generally no immediate negative financial impact to the Port if a project does not proceed, although the anticipated repairs and improvements would not then be undertaken and the other anticipated financial benefits would not be achieved.

During the pre-development and development period, the Port is subject to the risk of litigation from developers whose projects do not proceed, notwithstanding that its contracts prohibit developers from making claims against the Port. Once the lease is executed, the Port is subject to economic risk affecting the tenant and risks relating to the tenant's failure to perform, mismanagement and similar business risks, as any other owner-lessor of commercial property. See "CERTAIN RISK FACTORS" herein.

The Port typically limits its contribution toward public-private partnership projects to the existing facility improvements, plus the time-related expense of Port staff, attorneys and other consultants needed to coordinate and assist the developer. For some developments, the Port may grant rent credits towards specific construction components, but does not directly contribute Port funds. During the pre-development and development phases of a project, the amount of the interim revenue to the Port under such leases is typically reduced because of the uncertainty the pending project creates for interim tenants, with the Port being able to offer only very short term leases. During the construction period for the project, the rent that the developer pays the Port is typically less than the Port previously received and less than the rent that commences upon the completion of construction. Such reductions are reflected in the Port's revenue projections for the project.

Investment Policy and Investments

The Port maintains its operating fund cash and investments and a portion of its restricted asset cash and investments, including moneys constituting the Revenue of the Port, as part of the City's pool of cash and investments. Moneys deposited by the Port with the Trustee in the funds and accounts relating to the

Bonds are invested in investments constituting "Permitted Investments" under the Indenture, as described in Appendix C— "SUMMARY OF THE LEGAL DOCUMENTS— The Indenture" herein.

The Port of San Francisco Fund was established in 1969 after the Harbor of San Francisco was transferred from the State of California to the City, and is invested by the Treasurer of the City and County of San Francisco (the "City Treasurer") for the benefit of the Port. As of May 31, 2004, the Port had approximately $71 million invested with the City Treasurer. The Port of San Francisco Fund and the various accounts and subaccounts therein are managed and invested by the City Treasurer pursuant to the Investment Policy of the City and County of San Francisco (the "Investment Policy") and the California State Government Code as part of the City's investment pool. The City Treasurer provides quarterly reports on the status of the investment portfolio to the Board of Supervisors, Controller, and Mayor

The objectives of the policy are, in order of priority: preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The Treasurer's investment pool consist of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issuance of the Enterprise Funds and the General Fund's cash reserve requirement.

Investments permitted by the City's investment policy include the following: Public Time Deposits, Public Demand Accounts, Negotiable Certificates of Deposit, U.S. Government Securities, Treasury Bills, Treasury Bonds, Treasury Notes, Federal Agencies, Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association, Federal Mortgage Corporation, Student, Loan Marketing Association, Money Market Instruments, Commercial Paper, Bankers' Acceptances, Repurchase Agreements, and Reverse Repurchase Agreements

Substantially all investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as a due to the General Fund. Certain US government securities that have a remaining maturity at time of purchase of one year or less are carried at amortized cost, which approximates market value.

The San Francisco Unified School District, San Francisco Community College District, and the Trial Courts of the State of California are voluntary participants in the City's investment pool. As of June 30, 2003, $224 million was held on behalf of these voluntary participants. The total percentage share of the Treasurer's pool that relates to these three external participants is 9.69%. The deposits held for these entities are included in the Investment Trust Fund. The City has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2003 to support the value of shares in the pool.

For reports on the external investment pool, contact the Office of the Treasurer, Room 140, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

The following provides a summary of key investment information for the City Treasurer's investment portfolio as of April 30, 2004:

CITY AND COUNTY OF SAN FRANCISCO
Investment Portfolio
As of April 30, 2004

Type of Investment	Book Value	Par Value
Treasury Bills	$828,222,998	$831,000,000
Treasury Notes	235,488,286	240,000,000
FNMA Discount Notes	79,856,786	80,000,000
Federal Home Loan Disc Notes	210,429,485	211,000,000
FMC Discount Notes	119,725,794	120,000,000
Negotiable C. D.'s	274,844,069	275,000,000
Commercial Paper Disc	708,334,289	710,000,000
Public Time Deposit	100,000	100,000
Total	$2,457,001,707	$2,467,100,000

Source: Office of the Treasurer, City and County of San Francisco

CITY AND COUNTY OF SAN FRANCISCO
Investment Maturity Distribution
As of April 30, 2004

Maturity	Cost	Percentage
1 to 2 Months	$1,381,699,405	56.24%
2 to 3 Months	591,247,700	24.06
3 to 4 Months	77,686,832	3.16
4 to 5 Months	288,681,047	11.75
5 to 6 Months	-	0.00
6 to 12 Months	-	0.00
12 to 18 Months	50,075,786	2.04
18 to 24 Months	-	0.00
24 to 36 Months	47,867,187	1.95
36 to 48 Months	0	0.00
48 to 60 Months	19,743,750	0.80
	$2,457,001,707	100.00%

Weighted Average Maturity: 89 Days

Source: Office of the Treasurer, City and County of San Francisco

Operation and Maintenance Expenses

General. The Port's Operation and Maintenance Expenses include the following costs: personnel, office expenses, utility costs, materials and supply costs, discretionary expenses, judgment claims and litigation expenses, operating expenses associated with the Pier 80 cargo terminal operator, and payments made to the City for services of other City departments. Any repair and maintenance activity of the Port relative to its facilities that does not extend the useful life and/or expand productive capacity of a capital asset is charged to operating expense as incurred (and as such, such costs are then included as Operation and Maintenance Expense, as shown above and as discussed herein). The Port has significant deferred maintenance expenses relating to its older facilities, but due to the advanced age of these facilities and the great magnitude of rehabilitation thereof which is required to bring such properties

to reasonable operating conditions, such costs are not treated as Operation and Maintenance Expense, but rather as capital planning costs, payable from Net Revenue after provision for payment of principal and interest on the Bonds. See "Capital Improvement Costs Related to Deferred Maintenance and Facility Improvements" below.

Operating expenses increased by $23.2 million or 86.8% between fiscal years 1998-99 and 2002-03. Expenses increased in each of the past five fiscal years, with the largest increases occurring in fiscal years 2000-01 and 2001-02. The increases included both normal or routine increases in operating expenses as well as several large expenditures which occurred in fiscal years 2001-02 and 2002-03 that are either not expected to recur or recur in a lesser magnitude in the future.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge of Net Revenue Under the Indenture" for the definition of "Operation and Maintenance Expenses" set forth in the Indenture, used in the calculation of Net Revenue for purposes of the Port's covenant to maintain debt service coverage on the Bonds.

The following table sets forth historical Operation and Maintenance Expenses of the Port, based on the categories of expenses discussed above.

PORT OF SAN FRANCISCO
Historical Operation & Maintenance Expenses
For Fiscal Year Ending June 30,
(Amounts in Thousands of Dollars)

	Estimated (Unaudited)	Audited			
	2004	**2003**	**2002**	**2001**	**2000**
Operation & Maintenance Expenses					
Personnel Expense	$19,502.1	$20,797.7	$19,964.6	$18,562.4	$16,521.4
City-Wide Overhead	423.3	728.4	652.5	508.5	384.2
Other Current Expenses	1,898.6	2,671.2	2,627.8	2,379.2	2,122.1
Professional & Specialized Services	1,616.1	1,000.4	1,064.6	1,509.6	1,261.4
Utility Expenses	2,236.3	2,044.3	2,061.2	2,094.4	1,533.2
Materials & Supplies	1,073.9	807.0	2,140.9	2,042.7	1,493.6
Judgments, Claims & Litigation	2,302.8	149.4	1,472.5	453.9	(26.7)
Other Fixed Charges	2,697.6	3,142.7	1,691.4	145.4	(740.0)
Office Rent	2,607.4	2,565.4	2,537.9	986.9	0.0
Facility Maintenance – Dredging	4,040.6	3,742.4	2,487.6	1,165.2	65.9
Bad Debt Expense	(60.0)	452.1	678.3	(60.3)	485.2
Charges for Use of City Services	11,852.9	11,858.5	10,095.8	7,051.8	6,111.3
Other Operation & Maintenance Expenses	143.1	142.8	283.7	290.7	(159.7)
Total Operating & Maintenance Expenses	$50,334.7	$50,102.3	$47,758.8	$37,130.4	$29,051.9

Source: Port of San Francisco

Capital Improvement Costs Related to Deferred Maintenance and Facility Improvements. In evaluating the use of its properties and its overall maintenance needs, the Port has, on an informal, operational basis, treated deferred maintenance as maintenance work required to ensure the full useful life and capacity of buildings, structures, and improvements which has no funding alternative. Port facilities

whose condition has so deteriorated that mere repair or renovation is inadequate have been generally categorized as facilities subject to deferred maintenance. Many of the facilities acquired by the Port at the time of the transfer of the Port's property from the State were in significantly deteriorated condition at the time of the transfer. The Port has estimated its accumulated deferred maintenance and facility improvement needs for many of its maritime and commercial properties to be upwards of $370 million. Consequently, major repair, rehabilitation and/or new capital improvement continue to be needed to address such long-standing deferred maintenance. The Port has removed nearly 1 million square feet of pile-supported structures over the past 30 years to create open vistas, build new marinas and eliminate fire hazards. The Port's plan calls for removal of Pier 36 in the near term. Capital improvement activity, including pier removal costs, necessary to address such deferred maintenance is not part of Operation and Maintenance Expenses and is not chargeable against Revenue. See "PORT FINANCES AND REVENUE OPERATIONS— Port Budget and Capital Planning Processes" herein.

Port Payments to the City and County of San Francisco. General. The Port reimburses the City for services provided to the Port by various City departments. Such amounts are included in Operation and Maintenance Expenses as "Charges for Use of City Services" in the table set forth above. During the development of the Port Commission's budget, the Port and those City departments it reimburses directly agree in writing as to the scope of cost of services to be provided in the upcoming year. Examples of City services include fire protection (fire boat and crew), police protection, audits of the Port leases by the Controller's Office, and legal services provided by the City Attorney's Office. In fiscal year 2002-03, these expenses totaled $11.9 million or approximately 24% of the Port's total Operation and Maintenance Expenses. The fiscal year 2002-03 total included $2.0 million in settlement for prior City services provided to the Port as the result of a recently completed Nexus Study (more fully described below). Also included was $2.8 million in pass-through charges for such items such as workers' compensation and telephone service.

The Port also reimburses the City for indirect costs based on the City's County-Wide Indirect Cost Allocation Plan. Examples of these City services include materials, supplies and equipment procurement, document processing and financial reporting, and payroll services. In fiscal year 2002-03 the Port paid $0.7 million for its share of the City's overhead expenses.

Nexus Study. In May 2003 the Port Commission commissioned a nexus-of-payments study (the "Nexus Study") to determine the total cost of services provided to the Port from other City departments, taking into account existing Memorandums of Understanding and other agreements between the Port and City departments and the basis for determining the proper allocation of the cost of services provided to Port uses and activities, and related matters. The Nexus Study was accepted by the Port Commission in June 2004.

The Nexus Study analyzed the balance of payments for fiscal years 2000-01 through 2002-03. The Nexus Study determined that, on balance, the Port owed an additional $2.2 million to the City's general fund as reimbursement for the cost of services received for the fiscal years 2000-01 through 2002-03, and that payments of $0.8 million to $1.0 million annually will likely be due in future years. The Port accrued the $2.0 million obligation in its fiscal year 2002-03 financial statements, and has provided for a $1.0 million payment in its financial projection for fiscal year 2003-04.

The Nexus Study also reviewed the balance of payments and services costs between the Port and certain enterprise departments of the City and found that additional revenues or reimbursements may be due to the Port. Final resolution of these issues is dependent on a factual analysis of the terms of the historical agreement among the Port and the City departments, which is currently in process. No accrual has been made in the Port's financial statements for these contingent recoveries.

Environmental Compliance. The Port's environmental risk exposure is typical of other sites with a mix of light industrial activities dominated by transportation, transportation-related, and warehousing activities. Due to historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation, or other activity at the Port that disturbs soil or fill material may encounter hazardous materials and/or generate hazardous waste.

At any given time, there may be many such projects of various size and scope underway at the Port, and the Port may be involved in any number of regulatory proceedings involving the environmental compliance agencies referred to above, relating to environmental conditions on its many properties. The Port properties contain several sites that are or have been subject to cleanup or monitoring orders by state agencies, but none of these sites have been designated or listed as federal or state superfund sites. There are a number of sites which may require additional remediation to achieve regulatory closure and compliance. For most of these sites, entities other than the Port (i.e. former facility operator) have been identified as primarily responsible for closure and remediation, however in all cases the Port, as the property owner, is also potentially liable. Certain of such matters are discussed in detail below.

Fisherman's Wharf, Wharf J-10. In March 2003, the Port was named as a responsible party, due solely to its role as the property owner, in a compliance action regarding subsurface soil and groundwater contamination at Wharf J-10. Under Section 13267 of the California Water Code, such an request carries the same force of law which may be enforced by fines and penalties in the event of failure to comply.. A major oil company was also named as a responsible party due to its former operation of aboveground fuel storage tanks and pipelines at its facility adjacent to Wharf J-10. Additional investigation and study are underway in connection with this proceeding. The Port may eventually be determined to be responsible for the cleanup of some or all of the soil and groundwater remediation. As the existence and/or extent of such contamination is unknown, projections of the cost of any remediation cannot reasonably be made at this time.

Pier 70, Building 50. . In March 2002, vandalism of electrical transformers at Pier 70, Building 50 released PCB-contaminated oil from the transformer to the building and surrounding ground surface, contaminating roofing material, asphalt, soil and other debris. The Port undertook an emergency response, including containment and waste removal and is currently working to address remaining cleanup matters. In October 2003, a quantity of PCB contaminated soil was removed from the Building 50 vicinity. The Port is currently working with regulators to develop a remedial investigation and feasibility study to determine the extent of groundwater impact and propose options for additional remediation. At this time the costs of such remediation are unknown, but the Port estimates that the cost to complete cleanup at Building 50 is unlikely to exceed $500,000.

Pier 70 – Perimeter Pipeline along Fence ("Mirant" Pipeline"). During repaving operations, the Port developed information indicating that the pipeline running along the perimeter of the Pier 70 property has been undermined and has become potentially unstable. Unless the entire pipeline is surveyed for damage, and appropriate repairs made on the line, the line is unusable to avoid fuel release and or other damage to the Bay.

Other Environmental Compliance Matters. Of the other regulatory matters that are currently underway at the Port, none is currently estimated by the Port to involve a material financial risk exposure to the Port.

Environmental laws and regulations of the kind to which the Port is subject are subject to change from time to time and have generally become more stringent over time. There is no assurance that the costs to

the Port of compliance with environmental and health and safety laws will not increase significantly in the future. In addition, the Port currently estimates that a portion of its accumulated deferred maintenance and facility improvement needs for its maritime and commercial properties are attributable to environmental compliance. It is expected that the Port will undertake these projects over the next several years as funding become available from internally generated Port funds and other available funds, if any. See "CERTAIN RISK FACTORS—Capital Improvement Costs Related to Deferred Maintenance and Facility Improvements" and "—Environmental Compliance" herein.

Risk Management and Insurance

General. The Port Commission utilizes the services of the City's Risk Manager. The Risk Manager advises the Port Commission and is responsible for directing and coordinating the purchase of insurance and the recovery for insured and uninsured losses. Liability claims are administered by the City Attorney's Office and the Risk Manager.

The Port Commission imposes certain risk transfer requirements on its tenants, vendors and contractors. The Port Commission's policies generally require that each agreement with an entity doing business with the Port contain provisions to defend and indemnify the Port Commission from losses arising out of that entity's activities and to maintain specified levels of insurance coverage as a financial guarantee. The Port Commission and the City are named as additional insureds under those policies. Rental income and business interruption insurance may be required from tenants to be maintained on property leased or assigned. Rental income insurance provides for the continuation of payments in case of fire or other extended coverage loss for the time required to repair or reconstruct damaged facilities.

The Port Commission purchases commercial insurance policies to cover catastrophic and other losses, other than earthquake risk, that cannot prudently be assumed by the Port Commission. Those policies currently include all categories of insurance coverage that the Port Commission deems reasonable in light of its current operations. Total commercial insurance premiums for all coverage for fiscal year 2003-04 was approximately $1.9 million.

The Port Commission pays worker's compensation claims out of budgetary reserves. The Port Commission paid $744,000 in fiscal year 2002-03 and $640,000 in fiscal year 2001-02 for this purpose. Fiscal year to date payments for fiscal year 2003-04 through May 2004 is $819,000.

The Port Commission does not maintain commercial insurance coverage for property damage resulting from earthquakes other than on the marine terminal container cranes. Commercial earthquake insurance is difficult to obtain, with both premiums and deductibles being prohibitively high. The Port Commission does not expect to maintain commercial earthquake insurance coverage in the foreseeable future. Other risks, such as loss from terrorist activities, are not covered by any Port commercial insurance policies or are uninsurable. The Port Commission would expect to address any losses resulting from any uninsured casualty or occurrence, in whole or in part, from FEMA grant funds, as and to the extent such grant funds are available, and from its budgetary reserves.

Litigation

Litigation expenses are treated as Operation and Maintenance Expenses of the Port. As of June 1, 2004, there are no pending litigation cases involving the Port, in which the Port has a potential uninsured financial exposure which, either individually or in the aggregate, could materially adversely affect the Port's financial position or its receipt of Net Revenue that would materially adversely affect the Port's ability to pay debt service on the Bonds.

The Port is currently subject to a judgment of $3.4 million in which the insurer has disputed coverage. This judgment payment has already been accrued for accounting purposes. The Port is currently pursuing settlement negotiations with the insurer carrier but no assurance can be given with respect to the outcome of such negotiations.

There is threatened litigation related to lease interpretations from a group of six tenants and from a single tenant that, in the aggregate, could exceed several million dollars in damage claims. None of the potential plaintiffs have filed formal government claims and so the alleged facts and legal basis under which such potential plaintiffs could assert a Port obligation to pay damages are uncertain. Thus it is impossible to determine with any degree of certainty whether the Port would have any liability, and if so, to what extent, and whether the Port's insurance coverage would extend to provide defense and coverage for such litigation.

CERTAIN RISK FACTORS

The following section describes certain risk factors involved with the purchase of the Bonds. Although the factors described below are considered to be of importance in any investment decision with respect to the Bonds, the following discussion is not intended to describe every risk that may be associated with an investment in the Bonds. The order of presentation of the following factors is not intended to suggest the relative significance or materiality of any of the risks disclosed herein. Additional, material factors affecting the Port's operations could arise in the future, which, in turn, could materially and adversely affect the Port's ability to pay principal of and interest on the Bonds. Investors should read the entire Official Statement before making any investment decision.

Bonds Are Limited Obligations

The Bonds are special, limited obligations of the Port Commission secured by and payable solely from Net Revenue (as defined in the Indenture) and from moneys held in certain funds and accounts established pursuant to the Indenture. The Bonds are not a debt or obligation of the City and County of San Francisco, the State of California or any political subdivision thereof (other than the Port Commission payable solely from Net Revenue). Neither the credit nor the taxing power of the City and County of San Francisco, the State of California or any political subdivision thereof is pledged to pay the principal of and interest on the Bonds. The Port Commission has no taxing power. In the event of default by the Port Commission in the payment of principal and interest on the Bonds, the remedies of the Bondholders may be limited. See "Limitation on Remedies" below.

Limitation on Remedies

The Indenture provides only limited remedies to Bondholders in the event of a default by the Port Commission under the Indenture. The enforceability of the rights and remedies of the owners of the Bonds and the Trustee under the Indenture in the event of a default by the Port Commission may be subject to limitations on legal remedies available against cities in California; the federal bankruptcy code and other bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; and the delay and uncertainty inherent in legal proceedings. The enforceability opinion of Co-Bond Counsel will be made subject to such limitations on remedies. See Appendix F— "PROPOSED FORM OF LEGAL OPINION OF CO-BOND COUNSEL" herein.

Certain Economic and Other Constraints on Port Revenue

The ability of the Port to maintain or increase revenue growth in the future may be affected by a variety of economic, legislative and regulatory factors which are outside of its direct control.

The Port operates pursuant to many legislative and regulatory constraints, that significantly restrict its ability to maximize the revenue-generating activities of its waterfront properties. These legislative and regulatory constraints, including the current Waterfront Land Use Plan and Waterfront Special Area Plan, materially inhibit the Port in maximizing the commercial opportunities available for the Port's properties and in generating the maximum amount of Revenue from its properties. In addition, the Port is subject to many of the same economic and competitive factors affecting other commercial and real estate business enterprises in the region.

The transfer of the Port to the jurisdiction of the City in 1969 was made in trust for the people of California. The public trust doctrine has directed the use and development of Port properties. The public trust doctrine, as codified in the Burton Act and the related Transfer Agreement, mandated the following missions for the Port: (1) to promote navigation, fisheries, maritime commerce, (2) to protect natural resources, and (3) to develop recreational facilities that attract people to enjoy the Bay and the waterfront. See Appendix G— "SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE LEGISLATION." The public trust doctrine has been clarified over time by the Attorney General, the State Lands Commission and the Bay Conservation and Development Commission and has been read generally to ban most general office and housing developments on Port property.

The Port's properties are also subject to the Waterfront Land Use Plan, adopted by the Port Commission by Resolution No. 97-50 in June 1997, which was developed by the Port Commission through a public consensus process to provide a framework for all future development of Port property. Analyses conducted concurrently with the development of the Waterfront Plan concluded that while the Waterfront Plan had significantly expanded the scope of revenue-generating activities that could be developed on Port property, the Port's economic model was still expected to produce insufficient Revenue to carry out its missions.

The Port is constrained by, and is likely to continue to be constrained in the foreseeable future by, the following factors. First, the Port's maritime properties suffer from a significant amount of deferred maintenance and/or desirable capital improvements. The cost of needed repairs and seismic upgrades to the Port's maritime properties has been estimated to be upwards of $370 million dollars. See "THE PORT OF SAN FRANCISCO—PORT FINANCES AND REVENUE OPERATIONS---Operation and Maintenance Expenses—Capital Improvement Cost Related to Deferred Maintenance" herein. In order to promote its mission to foster and promote navigation, fisheries and maritime commerce, the Port is obligated to preserve significant waterfront historic resources that have great significance to the region and the nation but that are very costly for the Port to maintain and upgrade.

Second, the public trust doctrine gives priority to maritime and other uses which do not necessarily generate maximum revenue from the Port's waterfront land. These maritime revenue sources, taken as a whole, have deteriorated over time and are currently incapable of generating sufficient revenue to allow the Port's maritime activities to be self-sufficient enterprises. Moreover, the maritime uses are not anticipated to generate increased revenues in the future and the revenues from such uses may deteriorate further. With respect to maritime uses of its property, and in distinction to its commercial and other real estate activities, the Port generally competes with other regional ports, such as the Port of Oakland, and with ports in Southern California, at a substantial disadvantage. Other priority public trust uses, such as protection of natural resources and open spaces, are also not capable of being self-supporting, as they do not provide any direct revenue, and involve expensive capital improvements and on-going Operation and Maintenance Expense.

Third, the revenue-generating activities permitted by the public trust doctrine and the Waterfront Plan are limited in type, and the Port may already have exhausted the available market demand for certain permitted uses such as restaurants and specialty retail uses. The State Lands Commission has become increasingly restrictive in its interpretation of the public trust doctrine, and is becomingly increasingly involved in the application of this doctrine to individual Port projects and facilities. It is therefore likely that, under current regulations, it will be increasingly difficult for Port properties to be developed through public-private partnerships in which the private partner is able to undertake the infrastructure improvements and also generate revenues to the Port.

While there are a number of actions the Port may take to improve its economic model and to address the factors limiting its revenue maintenance and growth, it is probable that such actions will require a significant amount of favorable political will and cooperation among a variety of legislative and regulatory bodies. There can be no assurance that the Port will be able to garner the political and legislative support for the adjustments required in order to successfully overcome the factors described above. In that event, it is possible that the Port will be unable to maintain sufficient Net Revenue, which may cause the Port to be unable to meet its debt service coverage requirement under the Indenture, or to pay principal and interest on the Bonds when due.

General Economic Risk

The Port's Revenue is derived primarily from property leases to commercial and industrial enterprises. The Port's lease tenants are subject to competitive conditions and other economic factors that may affect their ability to pay rent to the Port. The ability of such businesses to continue in operation, and to pay rent to the Port, may be compromised in the event of a natural or other disaster, and may be adversely affected by their ability to collect under their insurance policies in the event of any occurrence of a casualty.

The Port Commission's ability to make principal and interest payments on the Bonds is dependent upon the collection of rents, rates, tariffs and charges comprising the Revenue of the Port. A number of factors could adversely affect the Port Commission's ability to pay its operating costs through its rates and tariffs structure including, but not limited to, increased capital improvement needs and the costs thereof, increased Operation and Maintenance Expenses, competition in the real estate market and maritime industry for the property and services offered by the Port, increased federal and state restrictions or requirements, and general economic conditions.

The Port competes directly with certain other port facilities in the immediate area and the region and is subject to competitive factors and market conditions in a number of sectors. See "Certain Economic and other Constraints on Port Revenue" herein.

Risk of Earthquake

The City is located in a seismically active region of California, which has experienced numerous earthquakes with a magnitude of at least 6.0 and with epicenters within or near the San Francisco Bay Area. The San Andreas Fault lies 7.5 miles west of the City, and the Hayward fault is approximately 11.5 miles to the east of the City. The largest earthquake was the 1906 San Francisco earthquake along the San Andreas Fault with an estimated magnitude of 8.2 on the Richter scale. The most recent significant earthquake was the October 1989 Loma Prieta earthquake with a magnitude of 7.1 on the Richter scale and with an epicenter near Santa Cruz, approximately 55 miles south of San Francisco. Numerous geological surveys indicate that because of the proximity to the above active faults, there is a significant probability of another major earthquake in the Bay Area of at least the magnitude of the Loma Prieta earthquake within the next 30 years. Therefore, a significant earthquake in the City is probable during the time the Bonds will be outstanding. The effects of strong ground shaking, liquefaction, landslides, or

other ground failure account for approximately 95 percent of economic losses caused by an earthquake (Seismic Hazards Mapping Act of 1990).

The Seismic Hazards Mapping Act of 1990 requires sellers and agents of real property located within a Seismic Hazard Zone to disclose the zone designation to buyers at the time of sale. The Port Area is located within a liquefaction zone according to a report prepared by the California Geologic Survey. Liquefaction is a significant loss of soil strength resulting from increased pore water pressure during earthquakes. Loss of soil strength can cause damage to buildings due to ground settlement or lateral spreading. The Seismic Hazards Mapping Act also requires cities or counties to regulate certain development projects within the zones by withholding approval until the soil conditions of the project sites are investigated and appropriate mitigation measures are incorporated into the development plans. As a part of the building permit review for development projects, the Port requires geotechnical investigations be conducted that profile the soils, determine the potential for liquefaction, and identify measures to mitigate.

The Port does not carry earthquake insurance, and the Port does not anticipate obtaining earthquake insurance for the Port Area. In addition, in the event facilities located within the Port Area were damaged or destroyed in an earthquake, the business operations and finances of the Port could be materially adversely affected, which in turn could materially impair the ability of the Port to make debt service payments on the Bonds.

Acts of Terrorism and Force Majeure Events

The terrorist attacks against the World Trade Center in New York City and the Pentagon in Washington, D. C. on September 11, 2001 have raised concerns regarding the safety of certain high-profile public structures. The federal Department of Homeland Security has identified the major ports on the California coast, including the Port, and other ports in the United States, as facilities subject to a high level of risk of such attacks. In addition, the Port is subject to the Maritime Transportation Security Act (the "MTSA"), which was signed into law on November 25, 2002, and regulations adopted thereunder, which require the Port to implement security measures designed to protect the ports and waterways of the U.S. from a terrorist attack. In response to such concerns and in compliance with the MTSA and applicable regulations, the Port has undertaken additional security measures. However, the Port Commission cannot predict the likelihood of a terrorist attack on any of its facilities or the extent of damage or disruption that might result or the degree to which such compliance measures will be successful in preventing an attack. In addition, the Port Commission is not able to assess the ultimate cost of the security measures which are currently required by the MTSA and applicable regulations or which may be required in the future. Since the occurrence of the September 11, 2001 attacks, security measures have been reevaluated and modified by the federal Department of Homeland Security a number of times. Such measures, and the cost of implementation, could increase in the future. The Port's facilities are not insured by the Port Commission against terrorist attack. See "- No Insurance For Certain Losses" below.

The Port's facilities and its ability to generate Revenue from its properties are also at risk from other events of force majeure, such as extreme weather events and other natural occurrences, fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, wars, blockades and riots. While the Port Commission has attempted to address the risk of a loss from many of these sorts of occurrences through the purchase of commercial property and casualty insurance, certain of these events may not be covered by standard property and casualty insurance coverages. Notwithstanding that the Port Commission may seek recovery under its insurance policies in the event of the occurrence of an insured loss, there exists the possibility that an insurer may deny coverage and refuse to pay a claim and there is an attendant risk of litigation and delay in receipt of any loss claim payment. In the event of damage to

the Port's facilities, the collection of lease rentals or other tariffs, fees and charges for the use of Port properties and other amounts comprising the Revenue could be impaired for an undetermined period.

No Insurance For Certain Losses

The Port Commission does not currently maintain business interruption insurance or any other commercially available insurance insuring against loss resulting from earthquake, flood, terrorist activity and certain other types of loss. The Port Commission would be required to pay for the costs resulting from any catastrophic loss from its budgetary reserves. It is expected that grant moneys from the Federal Emergency Management Agency ("FEMA") would be available to the Port Commission to pay a portion of such costs. However, such FEMA grant funds, if available at all, might not be available in amounts sufficient to pay a significant portion of such costs and there can be no assurance that the Port Commission's budgetary reserves will be adequate to address any casualty or loss which its facilities might experience.

Operation and Maintenance Expenses

The payment of principal and interest on the Bonds will be made from the Net Revenue of the Port, which is comprised of the Revenue of the Port available after payment of the Operation and Maintenance Expenses of the Port. There can be no assurance that the Operation and Maintenance Expenses of the Port will continue at the levels which currently prevail. Such expenses could increase substantially and could cause the Port Commission to be unable to meet the debt service coverage requirement of the Indenture. The Port Commission has a limited ability to increase its rates, tariffs and charges and in all cases, such increases are subject to prevailing market conditions, which could cause such increases to raise the number of defaults under the Port's agreements with its tenants or to reduce the market demand for the Port's properties. See "THE PORT OF SAN FRANCISCO—PORT FINANCES AND REVENUE OPERATIONS---Operation and Maintenance Expenses" herein.

Capital Improvement Costs Related to Deferred Maintenance and Facility Improvements

The Port has estimated its facility improvement needs related to accumulated deferred maintenance for many of its maritime and commercial properties to be upwards of $370 million. "Deferred maintenance" as used in this context is not an Operation and Maintenance charge against Revenue, as a Port budgetary and accounting matter, and therefore is not included in the amounts paid as Operation and Maintenance Expense by the Port, for purposes of calculation of the debt service coverage requirement of the Indenture. However, deferred maintenance and delayed facility improvement could impair facility use and future revenues. Most, if not all, such deferred work is treated by the Port as capital project expenditures in the Capital Plan when the project is funded internally. The responsibility for the work could be transferred to a tenant or as part of a new lease or to a private developer as part of a new development project. None of the foregoing capital activity would be costs chargeable against the Port's Revenue. As of May 2004, $34.6 million of Port funds remains appropriated for capital project related expenditures, including identified pier repair and major maintenance projects.

In April 2002, the Port began a Facilities Assessment Program to determine the physical condition of its properties, in which its engineering staff is performing facility condition surveys to identify and prioritize required maintenance projects that will preserve and extend the economic life of the Port's productive assets. Licensed civil and structural engineers inspect and determine the condition of each examined building. At present, the Port's Facilities Assessment Program is evaluating Port facilities for gravity loading conditions. In general, lateral load conditions (including seismic loads) are not being considered.

As of May 2004, the Port has given an adverse structural rating to 21 pier structures and portions of 17 other pier structures, including five apron areas. Two facilities have been vacated and are planned for demolition. Certain other facilities that have been given a negative structural rating will require detailed investigations to develop repair plans to bring the condition of such facilities to a level which will permit use and occupancy of such properties and will require the Port and/or Port tenants to make substantial monetary investments.

Increased Environmental Regulation

The Port is subject to a wide variety of local, State, and federal transportation and environmental laws. Among the types of regulatory requirements faced by such facilities are air and water quality control requirements. Such regulations are subject to amendment from time to time, and could require the Port to undertake costly compliance measures. Any such amendments could materially increase the Port's operating costs and thereby adversely affect the Net Revenue available to pay the Bonds.

Constitutional and Statutory Restrictions on Fees and Charges; Change in Law

The Port is subject to State, federal and City laws that restrict its operations. Such laws may be amended at any time. Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which could limit the ability of the Port to impose and increase revenue sources and to spend such revenues, and which, under certain circumstances, could permit existing revenue sources of the Port to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the Port's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. A summary of the currently effective limitations is set forth below.

Articles XIII C and XIII D of the California Constitution. Proposition 218, approved by the voters of the State in 1996, added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. The applicability of Proposition 218 to enterprise departments of cities, such as the Port, is unclear, but the Port believes that Propostion 218 is inapplicable to the fees and charges imposed by it. The voter approval requirements of Article XIII C reduce the flexibility of local governments to deal with fiscal problems by raising revenue through new, extended or increased assessments, fees and charges. No assurance can be given that the Port will be able to raise assessments, fees and charges in the future to meet increased expenditure requirements, if it is later determined that the Port's fees and charges are subject to Proposition 218.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to the collection of revenues to repay bonds. No assurance can be given that the voters of the City will not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges by the Port.

Article XIII D contains several provisions intended to restrict the ability of local agencies to levy and maintain "assessments" and "fees" (as defined in Article XIII D) for "property-related services." Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." The Port is of the opinion that charges for its services are not property-related fees or charges and therefore are not subject to the

limits of Article XIII D. The Port cannot predict the future impact of Proposition 218 on the finances of the Port, and no assurance can be given that, due to subsequent interpretations of Proposition 218 by the courts, Proposition 218 will not have a material adverse impact on the Port's revenues.

Future Changes in Laws. No assurance can be given that the State electorate will not at some future time adopt initiatives or that the State Legislature will not enact legislation that will amend the laws or the Constitution of the State of California, resulting in a reduction of Net Revenue and, consequently, having an adverse effect on the security for the Bonds. No assurance can be given that the City electorate will not at some future time adopt an initiative or Charter amendment having an impact on the Port's operations and, consequently, having an adverse effect on the security for the Bonds.

AUDITED FINANCIAL STATEMENTS

Audited Financial Statements of the Port Commission (the "Financial Statements") for the Years ended June 30, 2003 and 2002 are attached as Appendix A. See Appendix A — "AUDITED ANNUAL FINANCIAL STATEMENTS OF THE PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEARS ENDED JUNE 30, 2003 AND 2002." Such financial statements have been audited by Hood & Strong LLP and Rodriguez, Perez, Delgado & Co., LLP, independent certified public accountants. Hood & Strong LLP and Rodriguez, Perez, Delgado & Co., LLP have not approved or verified any other information in this Official Statement.

CONTINUING DISCLOSURE

The Port Commission has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the Port Commission not later than 270 days after the end of the Port Commission's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2004-05 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Port Commission with each Nationally Recognized Municipal Securities Information Repository and State Repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "Appendix D— "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Port Commission is not in default with respect to any previous undertaking made with regard to said Rule. The Port Commission has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual financial information or notices of material events.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Bonds. The Port Commission has covenanted in the Indenture and the Tax Certificate to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Port Commission has made certain representations and certifications in the Indenture and the Tax Certificate. Co-Bond Counsel will not independently verify the accuracy of those certifications and representations.

In the opinion of Nixon Peabody LLP and Elizabeth C. Green, Esq., Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenant and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest from gross income for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with proceeds of the Bonds or a "related person". Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds, is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations

State Taxes

Co-Bond Counsel is also of the opinion that interest on the Bonds is exempt from California personal income taxes.

Original Issue Discount

Co-Bond Counsel is further of the opinion that the difference between the principal amount of the Bonds maturing [ ], through [ ], inclusive and on [ ]; (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Bonds maturing on [ ] and on [ ] and [ ] (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Certain Federal Tax Information

General. The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Social Security and Railroad Retirement Payments. The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

Branch Profits Tax. The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds. The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain "qualified" obligations. The Bonds are not "qualified" obligations for this purpose.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

Earned Income Credit. For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds $2,200, subject to adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the Bonds will constitute disqualified income for this purpose.

Changes in Federal Tax Law and Post Issuance Events. From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for Federal income tax purposes of the interest on the Bonds, and thus on the economic value of the Bonds. This could result from reductions in Federal income tax rates, changes in the structure of the Federal income tax rates, changes in the structure of the Federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Bonds from gross

income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Bonds may be proposed or enacted.

Co-Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Co-Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

RATINGS

Moody's Investors Service, Inc. ("Moody's), Standard & Poor's Credit Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), and FitchRatings ("Fitch") have assigned their municipal bond ratings of "__," "___" and "___," respectively, to the Bonds [upon the understanding that _____ will issue the Municipal Bond Insurance Policy simultaneously upon the issuance and delivery of the Bonds. In addition, Moody's, S&P and Fitch have issued underlying ratings of "____," "___" and "___," respectively, to the Bonds.] The ratings issued reflect only the views of such rating agencies and are not a recommendation to buy, sell or hold the Bonds. Any explanation of the significance of these ratings should be obtained from the respective rating agencies. There is no assurance that such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the marketability or the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by an underwriting group consisting of the underwriters named on the cover page hereto (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a purchase price of $_____(which represents the principal amount of the Bonds less an Underwriters' discount of $_____, plus net original issue premium of $_____), plus accrued interest.

The purchase contract pursuant to which the Bonds are being sold provides that the Underwriters will purchase all of the Bonds if any Bonds are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Bonds to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

LITIGATION

There is no action, suit, proceedings, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the best knowledge of the Port Commission, threatened against the Port Commission affecting the existence of the Port Commission or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture or any action of the Port Commission contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Port

Commission with respect to the Bonds or any action of the Port Commission contemplated by any of said documents, nor to the knowledge of the Port Commission , is there any basis therefor.

There are a number of litigation matters pending against the Port Commission for incidents at the Port, involving claims and suits which arise out of the ordinary course of business and operations of the Port. In the opinion of the Port General Counsel, an adverse judgment on any of these pending matters, either individually or in the aggregate will not have a material adverse effect on the Net Revenue or on the financial condition of the Port. Most of such claims involve claims relating to personal injury and property damage and most such claims are covered by a comprehensive insurance program maintained by the Port Commission. See "PORT FINANCES AND REVENUE OPERATIONS—Litigation" herein.

The Port Commission is also a named party in various other environmental and regulatory matters which are presently in the course of regulatory investigation and compliance review. Certain of such matters are discussed herein under the caption "PORT FINANCES AND REVENUE OPERATIONS— Operation and Maintenance Expenses—Environmental Compliance."

LEGAL OPINIONS

Nixon Peabody LLP, San Francisco, California, and the Law Offices of Elizabeth C. Green, San Francisco, Co-Bond Counsel with respect to the Bonds, will render their opinion with respect to the Bonds substantially in the form set forth in Appendix F to this Official Statement. Copies of this opinion will be made available at the time of the original delivery of the Bonds. Co-Bond Counsel will receive compensation from the Port contingent upon the sale and delivery of the Bonds. Nixon Peabody LLP, San Francisco, California, and the Law Offices of the Elizabeth C. Green, San Francisco, California, as Co-Bond Counsel, undertake no responsibility to Bondholders for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Port by the Office of the City Attorney. The Office of the City Attorney undertakes no responsibility for the accuracy, fairness or completeness of this Official Statement.

PROFESSIONALS INVOLVED IN THE OFFERING

CSG Advisors Incorporated, San Francisco, California, is acting as Financial Advisor to the Port Commission with respect to the Bonds. The Financial Advisor has assisted the Port Commission in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Port Commission to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor is not a broker-dealer or underwriter, and will not purchase or make a market in any of the Bonds.

The Financial Advisor will receive compensation from the Port Commission contingent upon the sale and delivery of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Bonds, _____, will deliver a report stating that it has verified the mathematical accuracy of certain computations relating to the adequacy of the Federal Securities to be acquired under the Escrow Agreement relating to the defeasance of the Prior Bonds, stating that the Federal Securities are such that if interest thereon and principal thereof are paid as such interest and principal become due, the proceeds from the collection of such interest and principal together

with the cash held in the Escrow Fund relating to the Prior Bonds will be sufficient to permit the payment of all of the outstanding principal and interest on the Prior Bonds (as defined in the Escrow Agreement) on August __, 2004, in order to accomplish a current refunding of all of the outstanding Prior Bonds of the Port Commission.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof that do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Port Commission and the purchasers of owners of any of the Bonds. The preparation and distribution of this Official Statement has been authorized by the Port Commission. For copies, written request may be made to the _____.

The execution and delivery of this Official Statement has been authorized by the Port Commission.

PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

By:_____
Executive Director

APPENDIX A

THE PORT OF SAN FRANCISCO—AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

APPENDIX B

INFORMATION ON THE CITY AND COUNTY OF SAN FRANCISCO

Area and Economy

The corporate limits of the City and County of San Francisco (the "City") encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located on a peninsula bounded by the Pacific Ocean to the west, the Bay on the east, the entrance to the Bay and the Golden Gate Bridge to the north and San Mateo County to the south.

The City is the economic center of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Its major industries include heavy manufacturing, high technology, semi-conductor manufacturing, petroleum refining, biotechnology, food processing and production and fabrication of electronics and aerospace equipment. Non-manufacturing industries, including convention and tourism, finance and international and wholesale trade, are characteristic of the City and are also major contributors to economic activity within the Bay Area.

Population and Income

The City had a population estimated by the State of California (the "State") Department of Finance Demographic Research Unit, at 791,600 as of January 2003, ranking it the fourth largest city in California after Los Angeles, San Diego and San Jose. The table below reflects the population and per capita income of the City and the State between 1999 and 2003.

TABLE B-1
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Conventions and Tourism

During the calendar year 2002 approximately 15.7 million people (130,000 average per day) visited the city, generating roughly $5.9 billion. On average, these visitors spent about $127 per day and stayed three to four nights.

Hotel occupancy rates in San Francisco averaged 67.9% in calendar year 2003, an increase of 5.0% over the previous year; however, hotel room rates continued to decrease throughout 2003. Average daily San Francisco room rates for fiscal year 2003 were approximately $138 per night, down 5.1% from 2002 levels.

Although visitors who stay in San Francisco hotels account for only 36% of total out-of-town visitors, they generated 68.1% of total spending by visitors from outside the Bay Area. It is estimated that 44% of visitors come to the City are on vacation, 30% are convention and trade show attendees, 25% are individual business travelers and the remaining 1% are en route elsewhere. International visitors make up 36% of all visitors. Approximately 45% of the City's international visitors are from Europe and the

United Kingdom, 31% are from Asia, 9% are from Canada, 5% are from Australia and New Zealand, 5% are from Central and South America, 3% are from Mexico, and 2% are from Africa and the Middle East. The following illustrates hotel occupancy and related spending from calendar years 1999 through 2003.

TABLE B-2
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According to the San Francisco Convention and Visitor Bureau, as of April 1, 2004, convention business is almost at full capacity at the Moscone Convention Center and is at strong levels at individual hotels providing self-contained convention services. The City completed construction of an expansion to the Moscone Convention facilities in Spring 2003. With the expansion, the Moscone Convention Centers offer over 700,000 square feet of exhibit space covering more than 20 acres on three adjacent blocks.

Employment

The City has the benefit of a highly skilled, professional labor force. Key industries include tourism, real estate, banking and finance, retailing, apparel design and manufacturing. Emerging industries include multimedia and bioscience. According to the State of California Employment Development Department, the unemployment rate for San Francisco was 4.4 percent in May 2004, down from a revised 4.8 percent in April 2004. This rate is in comparison with an adjusted unemployment rate of 5.8 percent for California and 5.3 percent for the nation during the same period.

Total citywide employment peaked at just over 586,491 jobs in 2001, an increase of almost 10,000 from 1998. Based on 2002 estimates, total citywide employment is about 548,000 indicating a loss of about 39,000 jobs from 2001.

TABLE B-3

CITY AND COUNTY OF SAN FRANCISCO
Reported Employment by Land Use Activities 1998-2002 [1]

	1998	1999	2000	*2001	*2002 (2) (3)
Office	203,512	211,499	224,167	236,959	213,514
Retail	94,220	97,159	103,508	101,505	96,714
Industrial	124,071	120,922	119,922	107,837	98,153
Hotel	19,498	19,522	18,862	17,962	16,447
Cultural/Institutional	134,816	142,064	140,573	122,222	122,714
Other	39	30	1,307	6	-
Total	576,156	591,196	608,339	586,491	547,542

* 2001 and 2002 Sectoral breakdowns except hotel are not comparable with 2000 and earlier breakdowns. This reflects Employment Development Department classification system.
[1] Most recent Employment Development Department data available.
[2] 2002 Office Land use activity group includes Government employment.
[3] 2002 is an estimate only.

Source: San Francisco Planning Department- California Employment Development Department.

Taxable Sales

The following table reflects a breakdown of taxable sales for the City from 1998 to 2002. Taxable sales information for 2003 taxable sales is not yet available. Total retail sales decreased in 2002 by 23% compared to 2001. When business and personal services and other outlet sales are included, taxable sales decreased by 14% in 2002.

TABLE B-4
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Building Activity

Table B-5 shows a summary of building activity in the City for fiscal years 1998-99 through 2002-03, during which time approximately 13,578 total housing units were authorized in the City (both market rate and "affordable housing"). The total value of building permits was $1.3 billion in fiscal year 2002-03.

TABLE B-5
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Banking and Finance

The City is a leading center for financial activity. The headquarters of the Twelfth Federal Reserve District is located in the City, as are the headquarters of the Eleventh District Federal Home Loan Bank and the regional Office of Thrift Supervision. Wells Fargo Bank, First Republic Bank, Union Bank of California, United Commercial Bank, and Bank of the Orient are headquartered in the City, along with the Pacific Stock Exchange, and Charles Schwab & Co., the nation's largest discount broker. Investment banks located in the City include Banc of America Securities LLC, Deutsche Banc Alex Brown, Thomas Weisel Partners LLC, and Pacific Growth Equities.

Table B-6 below lists the ten largest employers in the City as of December 2003.

TABLE B-6
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Commercial Real Estate

According to the 4th Quarter 2003 Report from Grubb & Ellis, the City's office market has continued to experience positive market performance. During 2003, net absorption went from a negative 324,000 square feet to a positive 139,000 square feet. Vacancy ended the year at 23.4% decreasing from a high point of 24.1% during the second quarter. However, there is currently 14.7 million square feet of vacant space that will take years to absorb. Market-wide lease rates continued steady at $27.87 per square foot for Class A, and $20.45 per square foot for Class B space. Total square footage was 62.7 million square feet.

Major Development Projects

The downtown Union Square area is the City's principal retail area and includes Macy's, Neiman Marcus, Saks Fifth Avenue, Levi's, NikeTown, Disney, Crate and Barrel, Borders Books, Nordstrom, Williams Sonoma and Virgin Records. The recent completion of the Union Square Improvement Project including reconstruction of the Union Square Garage has benefited the area in terms of accessibility. The newly refurbished Union Square Park is now a hub for activities and events, gatherings, rallies, performances, and art exhibits.

The construction of the Westfield San Francisco Center (including Bloomingdale's) on the site of the former Emporium-Capwell building between Market Street and Mission Street and 4th and 5th Streets is currently underway. It is estimated that this will be a $410 million project. The 1.2 million square foot retail, office, and entertainment complex is expected to be complete in 2006. Upon completion the center

is expected to draw much business to the developing area resulting in an estimated $9.7 million in tax revenues. It will provide approximately 1,900 permanent jobs and roughly 1,000 construction jobs.

Another commercial development project planned in the City is the Fillmore Renaissance Center, a mixed-use commercial and residential project at Fillmore and Eddy Streets in the Western Addition area of the City known as the Fillmore Jazz Preservation District. The project will include a Fillmore branch of Oakland's Yoshi's Jazz Club & Restaurant, a soul fusion of restaurants and lounges, approximately eighty condominium units (15% of which are designated "affordable") and a public parking garage.

Development has begun at the Mission Bay site, portions of which are owned by the City and the Port of San Francisco. The development utilizes 303 acres of land and consists of 6,000 residential units, (28% of which will be affordable units), office and commercial space, 863,637 square feet of retail space, a new public school, 51-acres of parks and recreational areas, and a 500-room hotel. In addition, the University of California is constructing a 2,650,000 square foot biotechnology campus on a 43-acre site in Mission Bay.

The Octavia Boulevard Project, begun in 2003, will be a ground-level six-lane boulevard between Market and Hayes Streets. The redevelopment of this freeway system has opened up approximately 7.2 acres of property to be used for the construction of 750-900 housing units.

Redevelopment of the former Hunters Point Naval Shipyard on San Francisco's southern waterfront is expected to begin in the summer of 2004. The 90-acre first phase of development is expected to comprise 1,600 housing units, 300,000 square feet of commercial uses, 34 acres of open space and other community amenities. Future phases of this 500-acre redevelopment effort will include additional residential and commercial development, with a focus on light industrial and research and development uses.

Transportation Facilities

San Francisco International Airport

San Francisco International Airport ("SFO"), located approximately 14 miles south of downtown San Francisco, is a major commercial airport and has been serving the San Francisco Bay Area and Northern California for over 75 years. Traffic reports submitted by the airlines for fiscal year 2002-03 show that SFO served over 29 million passengers (enplanements and deplanements), and handled a total of 342,676 flight operations, 323,363 of which were scheduled air carrier operations. During fiscal year 2002-03, scheduled passenger aircraft arrivals and departures decreased by 4.5% and total enplanements decreased by 5.7% over the previous year.

Based on Airports Council International final ranking for calendar year 2002, SFO was ranked the eleventh most active airport in the United States in terms of total passengers. In fiscal year 2001-02, the most recent year for which complete data are available, approximately 73% of passenger traffic at the Airport was origin and destination traffic, which is generally not dependent on airline hubbing practices.

During fiscal year 2002-03, 60 airlines served the Airport with non-stop and one-stop service to 110 cities in the United States, and 23 of these airlines provided service to 62 international destinations. In fiscal year 2002-03, SFO handled 606,900 thousand metric tons of cargo and was ranked 13th in the United States in terms of air cargo volume, according to Airports Council International final ranking for calendar year 2002.

Following the terrorist events of September 2001 in New York, NY and Washington, DC, management at SFO developed a detailed financial plan to address the anticipated decline in revenues. Management and staff at SFO identified numerous expenditure reductions as well as additional funding sources, including the use of passenger facility charge revenues. Management continues to adhere to these plans and as a result does not anticipate a large deficit for the current fiscal year.

On December 9, 2002, UAL Corp. ("UAL"), the parent company of United Airlines, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. UAL accounts for approximately 34% of total operating revenue at SFO. The filing under Chapter 11 permits a company to continue operations while it develops a plan of reorganization to address its existing debt, capital and cost structures.

On December 10, 2002, the U.S. Bankruptcy Court approved a series of motions, including a motion ordering the payment of sales and use taxes, transportation taxes, fees, passenger facilities charges and other similar government and airport charges. United Airlines therefore has been granted authority to pay certain ongoing landing fees, passenger facilities charges and similar charges to SFO and other parties, whether incurred prior to or after the bankruptcy filing. United Airlines has remained current in its payments to the Airport for rents and landing fees since January 2003.

Table B-7 presents certain data regarding SFO for the last five fiscal years.

TABLE B-7

SAN FRANCISCO INTERNATIONAL AIRPORT
Passenger, Cargo and Mail Data for
Fiscal Years ending June 30, 1999 through 2003

	Passengers		Cargo Traffic	
Fiscal year Ended June 30	Enplanements and Deplanements	Annual Percent Change	Freight and Express Air (Metric Tons)	U.S. and Foreign Mail (Metric Tons)
1999	39,158,482	-1.6%	618,334	182,384
2000	40,238,576	2.8%	680,051	190,579
2001	38,723,290	-3.8%	621,434	150,538
2002	30,942,135	-20.1%	467,301	93,953
2003	29,165,073	-5.7%	517,410	89,469

Source: San Francisco Airport Commission.

Port of San Francisco

The Port of San Francisco (the "Port") consists of 7.5 miles of San Francisco Bay waterfront which are held in "public trust" on behalf of all the people of California. The State transferred, and the City electorate accepted, responsibility for the Port to the City in 1969. The Port is committed to promoting a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, as well as protecting the natural resources of the waterfront and developing recreational facilities for public use.

The Port is governed by a five-member Port Commission which is responsible for the operation, management, development and regulation of the Port. All revenues generated by the Port are to be used for Port purposes only. The Port receives no operating subsidies from the City, and the Port has no taxing power.

In fiscal year 2002-03, the Port posted a decrease in net assets of $6.4 million. In the same period, as shown in the table below, the Port properties generated $54.5 million.

TABLE B-8

PORT OF SAN FRANCISCO

FISCAL YEARS 2002 AND 2003 REVENUES

($000s)

Business Line	FY 01-02 Audited Revenue	Percentage of 2002 Revenue	FY 02-03 Audited Revenue	Percentage of 2003 Revenue
Commercial & Industrial Rent	$32,482	64.3%	$32,037	58.8%
Parking	7,380	14.6	7,466	13.7
Cargo	3,797	7.5	5,659	10.4
Fishing	1,488	3.0	1,554	2.8
Ship Repair	1,000	2.0	919	1.7
Harbor Services	915	1.8	967	1.8
Cruise	459	0.9	963	1.8
Other Maritime	1,445	2.9	1,413	2.6
Other	1,528	3.0	3,489	6.4
TOTAL	$50,494	100%	$54,467	100%

Source: Port of San Francisco Audited Financial Statements.

In June 1997, the Port Commission adopted a Waterfront Land Use Plan (the "Port Plan"), which established the framework for determining acceptable uses for Port property. The Port Plan calls for a wide variety of land uses which retain and expand historic maritime activities at the Port, provide revenue to support new maritime and public improvements, and significantly increase public access.

As a result of the finalization of the Port Plan, there are currently several major development projects in negotiation and/or construction including: a mixed use recreation and historic preservation project at Piers 27-31; a hotel development at the corner of Broadway and the Embarcadero; a mixed use historic preservation and reuse of Piers 1½-5; an international cruise and mixed use office/retail complex in the South Beach area of San Francisco that will involve the construction of a condominium tower project, a new cruise terminal, an office and retail development, and a new waterfront park known as Brannan Street Wharf.

A $100 million renovation of the Ferry Building was completed in 2003. Also completed in 2003 was the two-acre Rincon Park, a collaborative effort among the Port, the San Francisco Redevelopment Agency and Gap Inc.

An $18 million project to relocate and expand the Downtown Ferry Terminal, and a $7 million project to provide new berthing and auxiliary facilities for commercial fisherman at Hyde Street Harbor were both completed during fiscal year 2001-02.

Other Transportation Facilities

The San Francisco Bay is surrounded by nine counties comprising the Bay Area. Although the Bay itself creates a natural barrier for transportation throughout the region, several bridges, highways and public transportation systems connect the counties. The majority of the transportation mechanisms throughout the Bay utilize San Francisco as a hub, and provide access into the City itself for jobs, entertainment, shopping and other activities. The major transportation facilities connecting the City to the remainder of the region include the Golden Gate and Bay Bridges, the Bay Area Rapid Transit rail line, CalTrain, the Valley Transportation Authority, and the Alameda-Contra Costa, San Mateo, Santa Clara and Golden Gate Transit Districts' bus lines. Public and private companies also provide ferry service across the Bay.

Other transportation services connect the Bay Area to the State, national and global economy. In addition to the San Francisco International Airport, the San Francisco Bay Area is served by two other major airports: the Oakland International Airport in Alameda County, and the San Jose International Airport in Santa Clara County. These airports also serve the Bay Area's air passengers with service to all major domestic cities and many international cities and are important cargo transportation facilities.

The Port of Oakland is an important cargo and transportation facility to the Bay Area as it provides a strong link to the Pacific Rim. The Port of Oakland is served by three major railroads with rail lines and/or connections to the Midwest and beyond.

Public School System

The City is served by the San Francisco Unified School District (the "District"). The District has a board of seven members who are elected Citywide. Schools within the District are financed from available property taxes and State, Federal and local funds. The District operates thirty-five child development centers; seventy-six elementary schools, including sixty-nine K-5 elementary schools, seven K-8 elementary schools, one charter K-5 and one charter K-8 schools, two charter grade 5-8 schools, and five charter grade 9-12 schools; eighteen middle schools (grades 6-8); seventeen senior high schools, including fourteen schools serving grades 9-12, two continuation schools and one independent study alternative high school and various county school services.

Colleges and Universities

Within the City, the University of San Francisco and California State University at San Francisco offer full four-year degree programs of study as well as graduate degree programs. The University of California, San Francisco is a health science campus consisting of the schools of medicine, dentistry, nursing, pharmacy and graduate programs in health science. The Hastings College of the Law is affiliated with the University of California. The University of the Pacific's School of Dentistry and Golden Gate University are also located in the City. City College of San Francisco offers two years of college-level study leading to associate degrees.

The nine-county Bay Area region includes approximately twenty public and private colleges and universities. Most notable among them are the University of California at Berkeley and Stanford University. Both institutions offer full curricula leading to bachelors, masters and doctoral degrees, and are known worldwide for their contributions to higher education.

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APPENDIX C

SUMMARY OF THE LEGAL DOCUMENTS

The following is a summary of certain of the definitions and terms of the Indenture and the Second Supplemental Indenture. In general, those provisions of the Indenture and the Second Supplemental Indenture summarized in the forepart of this Official Statement have not been summarized in this Appendix C. See "DESCRIPTION OF THE SERIES 2004 BONDS" and "SECURITY FOR THE SERIES 2004 BONDS" in the forepart of this Official Statement. The foregoing summary is not intended to be comprehensive. Investors are advised to refer to the actual executed documents for the complete terms of the documents summarized below. Following delivery of the Series 2004 Bonds, the Indenture and the Second Supplemental Indenture will be on file with the Trustee.

DEFINITIONS

The following is a summary of certain of the defined terms from the Indenture and the Second Supplemental Indenture.

"Accreted Value" shall mean, as of any date of calculation, with respect to any Capital Appreciation Bond, the initial principal amount thereof plus the interest accumulated, compounded and unpaid thereon as of such date of calculation if a compounding date, or if such calculation date is other than a compounding date, the most recently past compounding date.

"Act" shall mean the San Francisco Harbor Revenue Act of 1951 (formerly Sections 3300 *et seq.* of the Harbors and Navigation Code of the State of California, now repealed); and the Charter of the City and County of San Francisco, as supplemented and amended, all enactments of the Board adopted pursuant thereto, and all laws of the State of California incorporated therein by reference.

"Amortized Bonds" shall mean (a) those Bonds subject, pursuant to their terms, to optional or mandatory tender for purchase prior to maturity by or on behalf of the Commission or a Credit Provider, and (b) the Authorized Amount of any existing or proposed Commercial Paper Program.

"Annual Debt Service" shall mean in any Fiscal Year (i) the amount scheduled to become due and payable on the Outstanding Bonds or any one or more Series thereof in any Fiscal Year as (a) interest, plus (b) Principal Amount at maturity, plus (c) mandatory sinking fund redemptions, (ii) Swap Payments scheduled to be paid under an Interest Rate Swap and (iii) Repayment Obligations. For purposes of calculating Annual Debt Service, the following assumptions shall be used:

(i) All Principal Amount payments and mandatory sinking fund redemptions shall be made as and when the same shall become due;

(ii) Outstanding Variable Rate Bonds shall be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the average of the actual rates on such Variable Rate Bonds for each day during the 365 consecutive days (or any lesser period such Bonds have been outstanding) ending on the last day of the month next preceding the date of computation, or at the effective fixed annual rate thereon as a result of an Interest Rate Swap payable on a parity to the Variable Rate Bonds to which it relates (in which case, the scheduled amount due under such Variable Rate Bonds and the related Interest Rate Swap shall be deemed to be the fixed annual rate under the Interest Rate Swap);

(iii) Variable Rate Bonds proposed to be issued shall be deemed to bear interest at a fixed annual rate equal to the estimated initial rate or rates thereon as set forth in a certificate of a Financial Consultant dated within 30 days prior to the date of delivery of such Bonds or at the effective fixed annual rate thereon as a result of an Interest Rate Swap payable on a parity to the Variable Rate Bonds to which it relates (in which case, the scheduled amount due under such variable rate Bonds and the related Interest Rate Swap shall be deemed to be the fixed annual rate under the Interest Rate Swap);

(iv) If any Interest Rate Swap is in effect pursuant to which the Commission pays Swap Payments at a variable rate, and such Interest Rate Swap is payable on a parity with the fixed rate Bonds to which it relates, no amounts payable under such Interest Rate Swap shall be included in the calculation of Annual Debt Service unless the sum of (i) interest payable on such fixed rate Bonds plus (ii) amounts payable by the Commission under such Interest Rate Swap calculated by the same method as variable rate interest pursuant to paragraphs (ii) and (iii) above less (iii) amounts receivable by the Commission under such Interest Rate Swap are greater than the interest payable on the fixed rate Bonds to which it relates, then in such instance the amount of such payments to be made that exceed the interest to be paid on the fixed rate Bonds shall be included in such calculation;

(v) If any Bonds are Paired Obligations, the interest rate on such Bonds shall be the resulting fixed interest rate to be paid by the Commission with respect to such Paired Obligations;

(vi) Amortized Bonds shall be deemed to be amortized on a level debt service basis over a 20-year period beginning on the date of calculation at the then current Index Rate;

(vii) Capitalized interest on any Bonds and accrued interest paid on the date of initial delivery of any Series of Bonds shall be excluded from the calculation of Annual Debt Service if cash and/or Permitted Investments have been irrevocably deposited with and are held by the Trustee or other fiduciary for the Owners of such Bonds sufficient to pay such interest; and

(viii) Repayment Obligations proposed to be entered into which are secured by Net Revenue on a parity with the Bonds as provided in the Indenture shall be deemed to be payable at the maximum amount which may become due and payable under the terms of the Credit Facility or reimbursement agreement pursuant to which such Repayment Obligation arises (provided that Annual Debt Service for the purposes of this calculation shall only include the larger of (i) any such Repayment Obligation or (ii) the amount due under the Bonds to which such Repayment Obligation relates as calculated above under paragraph (iii) of this definition).

"Authorized Amount" shall mean, with respect to a Commercial Paper Program, the maximum Principal Amount of such Bonds which is then authorized by the Commission to be Outstanding at any one time.

"Bond Counsel" shall mean an attorney or firm of attorneys of national recognition selected or employed by the Commission with knowledge and experience in the field of municipal finance.

"Bonds" shall mean any evidences of indebtedness for borrowed money issued from time to time by the Commission under the Indenture or a Supplemental Indenture including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein. Bonds may also include for the purposes of any particular provision of the Indenture as provided in a Supplemental Indenture, any other obligation, including but not limited to contractual obligations, entered into by the Commission pursuant to the Indenture with a lien on Net Revenue on a parity with other Outstanding Bonds.

"Business Day" shall mean, unless otherwise specified by Supplemental Indenture, any day of the week other than Saturday, Sunday or a day which shall be, in the State of California, the State of New York or in the jurisdiction in which the Corporate Trust Office of the Trustee or the principal office of the Registrar is located, a legal holiday or a day on which banking institutions are authorized or obligated by law or executive order to close.

"Capital Appreciation Bonds" shall mean Bonds the interest on which is compounded and accumulated at the rate or rates and on the date or dates set forth in the Supplemental Indenture authorizing the issuance thereof and which is payable only upon redemption and/or on the maturity date thereof.

"Charter" shall mean the Charter of the City and County of San Francisco, as supplemented and amended, and any new or successor Charter.

"City" shall mean the City and County of San Francisco, a chartered city and county and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations, rulings and procedures proposed or promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

"Commercial Paper Program" shall mean Bonds with maturities of not more than 365 or 366 days, as the case may be, from the dates of issuance thereof which are issued and reissued by the Commission from time to time and are Outstanding up to an Authorized Amount.

"Commission" shall mean the Port Commission of the City and County of San Francisco as duly constituted from time to time under the Charter, and all commissions, agencies or public bodies which shall succeed to the powers, duties and obligations of the Commission.

"Construction Funds" shall mean, collectively, the Construction Funds established pursuant to the Indenture.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate of the Commission, dated the date of issuance and delivery of the Series 2004 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Corporate Trust Office" shall mean the office of the Trustee at which its principal corporate trust business is conducted.

"Credit Facility" shall mean a letter of credit, line of credit, standby purchase agreement, municipal bond insurance policy, surety bond or other financial instrument which obligates a third party to pay or provide funds for the payment of the Principal Amount or purchase price of and/or interest on any Bonds and which is designated as a Credit Facility in a Supplemental Indenture.

"Credit Provider" shall mean the person or entity obligated to make a payment or payments with respect to any Bonds under a Credit Facility.

"Debt Service Fund" shall mean the Debt Service Fund established pursuant to the Indenture.

"Delivery Costs" shall mean all items of expense directly or indirectly payable by or reimbursable to the Commission relating to the authorization, issuance, sale and delivery of the Bonds, including, but not limited to, printing expenses, filing and recording fees, fees and charges of the Trustee and its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, bond insurance premiums or other fees in connection with credit enhancement or other credit facilities obtained in connection with Bonds, rating agency fees and any other cost, charge or fee in connection with the original issuance of Bonds.

"Delivery Costs Funds" shall mean, collectively, the Delivery Costs Funds established pursuant to the Indenture.

"Depository" shall mean (a) initially, DTC, and (b) any other securities depository acting as Depository pursuant to the Second Supplemental Indenture.

"Depository System Participant" shall mean any participant in the Depository's book-entry system.

"DTC" shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

"Enterprise Fund" shall mean the San Francisco Harbor Trust Fund created pursuant to Section 6.406 of the Charter and held by the Treasurer, and any successor to such fund.

"Escrow Agent" shall mean [Union Bank], as escrow bank under the Escrow Agreement.

"Escrow Agreement" shall mean that certain Escrow Agreement, dated as of July 1, 2004 relating to the defeasance of the Prior Bonds, by and between the Commission and the Escrow Agent.

"Escrow Fund" shall mean the fund by that name established and maintained under the Escrow Agreement.

"Event of Default" shall mean any one or more of those events described as events of default in the Indenture.

"Final Resolution" shall mean Resolution No. _____ of the Commission adopted on _____, 2004.

"Financial Consultant" shall mean a firm or firms of financial advisors of national recognition with knowledge and experience in the field of municipal finance selected or employed by the Commission.

"First Supplemental Indenture" shall mean that certain First Supplement to Indenture of Trust, dated as of June 1, 1994, by and between the Commission and the Trustee.

"Fiscal Year" shall mean the one-year period beginning on July 1 of each year and ending on June 30 of the succeeding calendar year, or such other one-year period as the Commission shall designate as its Fiscal Year.

"Fund" or "Account" shall mean any fund or account established pursuant to the Indenture.

"Government Certificates" shall mean evidences of ownership of proportionate interests in future principal or interest payments of Government Obligations, including depository receipts thereof. Investments in such proportionate interests must be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Government Obligations" shall mean direct and general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Holder," "Bondholder," "Owner" and "Bondowner" shall mean the person or persons in whose name any Bond or Bonds are registered on the records maintained by the Registrar.

"Indenture" shall mean the Master Indenture, as amended and supplemented by the First Supplemental Indenture and the Second Supplemental Indenture.

"Independent Auditor" shall mean a firm or firms of independent certified public accountants with knowledge and experience in the field of governmental accounting and auditing selected or employed by the Commission.

"Index Rate" shall mean the rate equal to the rate published by the Bond Buyer as the 25-Bond Revenue Index of revenue bonds maturing in 30 years, or if such index ceases to be published, a comparable index published by the *Bond Buyer* or, if no comparable index then exists, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury Obligations.

"Insolvent" shall be used to describe the Trustee, any Paying Agent, Authenticating Agent, Registrar, other agent appointed under the indenture or any Credit Provider if (a) such person shall have instituted proceedings to be adjudicated a bankrupt or insolvent, shall have consented to the institution of bankruptcy or insolvency proceedings against it, shall have filed a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall have consented to the filing of any such petition or to the appointment of a receiver,

liquidator, assignee, trustee or sequestrator or other similar official of itself or of any substantial part of its property, or shall fail to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or shall consent to the entry of an order for relief under the federal Bankruptcy Code or shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due; or (b) a decree or order by a court having jurisdiction in the premises adjudging such person as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such person under the federal Bankruptcy Code or any other similar applicable federal or state law or for relief under the federal Bankruptcy Code after an involuntary petition has been filed against such person, or appointing a receiver, liquidator, assignee, trustee or sequestrator or other similar official of such person or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, shall have been entered and shall have continued unstayed and in effect for a period of 90 consecutive days.

"Insurance Consultant" shall mean the City's risk manager or a firm or firms of national recognition with knowledge and experience in the fields of insurance and risk management selected or employed by the Commission.

"Interest Payment Date" shall mean, with respect to any Series of Bonds, each date specified in the Indenture or in the Supplemental Indenture authorizing the issuance thereof for the payment of interest on such Bonds.

"Interest Rate Swap" shall mean an agreement between the Commission and a Swap Counter Party related to Bonds of one or more Series whereby a variable rate cash flow (which may be subject to an interest rate cap) on a principal or notional amount is exchanged for a fixed rate of return on an equal principal or notional amount.

"Maximum Annual Debt Service" shall mean the maximum amount of Annual Debt Service in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the Bonds.

"Master Indenture" shall mean the Indenture of Trust, dated as of June 1, 1994, by and between the Commission and the Trustee.

"Moody's" shall mean Moody's Investors Service, a corporation existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, "Moody's" shall mean any other nationally recognized rating agency designated by the Commission.

"Net Revenue" shall mean Revenue less (i) Operation and Maintenance Expenses and (ii) all amounts required for payments of the Prior Lien Bonds.

"Nominee" shall mean "CEDE & CO." or any successor nominee designated by the Depository pursuant to the terms of the Indenture.

"Operation and Maintenance Expenses" shall mean, for any period, all expenses of the Commission incurred for the operation and maintenance of the Port Area, as determined in accordance with generally accepted accounting principles. Operation and Maintenance Expenses shall not include: (a) the principal of, premium, if any, or interest (including capitalized interest) on any Bonds, Subordinate Bonds or general obligation bonds issued by the City for Port Area purposes; (b) any allowance for amortization, depreciation or obsolescence of the Port Area; (c) any expense for which, or to the extent to which, the Commission is or will be paid or reimbursed from or through any source that is not included or includable as Revenue, including, but not limited to, Special Facility Revenue; (d) any extraordinary items arising from the early extinguishment of debt; (e) any costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to the Port Area which, under generally accepted accounting principles, are properly chargeable to the capital account or any reserves for depreciation; (f) any losses from the sale, abandonment, reclassification, revaluation or other disposition of any Port

Area properties; and (g) extraordinary items that are unusual or unrelated to the Commission's ordinary activities and would occur infrequently. Operation and Maintenance Expenses shall include the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Commission may establish or the Board of Supervisors may require with respect to employees of the Commission, as now provided in Section 6.406 of the Charter.

"Opinion of Bond Counsel" shall mean a written opinion of Bond Counsel.

"Opinion of Counsel" shall mean a written opinion of an attorney or firm of attorneys acceptable to the Trustee and the Commission, and who (except as otherwise expressly provided in the Indenture) may be either counsel for the Commission or for the Trustee.

"Outstanding" when used with reference to a Series of Bonds shall mean, as of any date of determination, all Bonds of such Series which have been executed and delivered under the Indenture except: (a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds which are deemed paid and no longer Outstanding as provided in the Indenture or any Supplemental Indenture authorizing the issuance thereof; (c) Bonds in lieu of which other Bonds have been issued pursuant to the Indenture or any Supplemental Indenture authorizing the issuance thereof, and (d) for purposes of any consent or other action to be taken under the Indenture by the Holders of a specified percentage of Principal Amount of Bonds of a Series or all Series, Bonds held by or for the account of the Commission.

"Paired Obligations" shall mean any one or more Series (or portion thereof) of Bonds, designated as Paired Obligations in a Supplemental Indenture or a certificate of the Commission, which are simultaneously issued, executed or delivered and (i) the principal or notional amount of which as applicable, is of equal amount and (ii) the interest rates on which, taken together, result in an irrevocably fixed rate obligation of the Commission for the term of such Bonds.

"Payment Date" shall mean, with respect to any Series of Bonds, each Interest Payment Date and Principal Payment Date.

"Permitted Investments" shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the Commission's money:

(a) Government Obligations and Government Certificates.

(b) Obligations issued or guaranteed by any of the following:

(i) Export-Import Bank of the United States;

(ii) Farmers Home Administration;

(iii) Federal Farm Credit System;

(iv) Federal Financing Bank;

(v) Federal Home Loan Bank System;

(vi) Federal Home Loan Mortgage Corporation;

(vii) Federal Housing Administration;

(viii) Federal National Mortgage Association;

(ix) Government National Mortgage Association;

(x) Private Export Funding Corporation

(xi) Resolution Funding Corporation;

(xii) Student Loan Marketing Association; and

(xiii) any other instrumentality or agency of the United States.

(c) Prerefunded municipal obligations rated in the highest rating category by the Rating Agencies then rating the Bonds and meeting the following conditions:

(i) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) such obligations are secured by Government Obligations or Government Certificates that may be applied only to interest principal and premium payments of such obligations;

(iii) the principal of and interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such prerefunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations or Government Certificates serving as security for the obligations have been irrevocably deposited with and are held by an escrow agent or trustee; and

(v) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.

(d) Direct and general long-term obligations of any State of the United States of America or the District of Columbia (a "State") to the payment of which the full faith and credit of such State is pledged and that are rated in either of the two highest rating categories by the Rating Agencies then rating the Bonds.

(e) Direct and general short-term obligations of any State to the payment of which the full faith and credit of such State is pledged and that are rated in the highest rating category by the Rating Agencies then rating the Bonds.

(f) Interest-bearing demand or time deposits with, or banker's acceptances from, state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC"). Such deposits must be at least one of the following: (i) continuously and fully insured by FDIC; (ii) if they have a maturity of one year or less with or issued by banks that are rated in one of the two highest short term rating categories by the Rating Agencies then rating the Bonds (iii) if they have a maturity longer than one year, with or issued by banks that are rated in one of the two highest rating categories by the Rating Agencies then rating the Bonds, or (iv) fully secured by Government Obligations and Government Certificates. Such Government Obligations and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depositary, as custodian for the institution issuing the deposits or interests. Such third party must have a perfected first lien in the Government Obligations and Government Certificates serving as collateral, and such collateral must be free from all other third party liens.

(g) Eurodollar time deposits issued by a bank with a deposit rating in one of the two highest short-term deposit rating categories by the Rating Agencies then rating the Bonds.

(h) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest rating categories by both Rating Agencies.

(i) Repurchase agreements with maturities of either (A) 30 days or less, or (B) longer than 30 days and not longer than one year provided that the collateral subject to such agreements are marked to market daily, entered into with financial institutions such as banks or trust companies organized under State or federal law, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation, or with a dealer or parent holding company that is rated "A" or better by the Rating Agencies then rating the Bonds. The repurchase agreement must be in respect of Government

Obligations and Government Certificates or obligations described in paragraph (b) of this definition. The repurchase agreement securities and, to the extent necessary, Government Obligations and Government Certificates or obligations described in paragraph (b), exclusive of accrued interest, shall be maintained in an amount at least equal to the amount invested in the repurchase agreements. In addition, the provisions of the repurchase agreement shall meet the following additional criteria:

(i) the third party (who shall not be the provider of the collateral) has possession of the repurchase agreement securities and the Government Obligations and Government Certificates;

(ii) failure to maintain the requisite collateral levels will require the third party having possession of the securities to liquidate the securities immediately; and

(iii) the third party having possession of the securities has a perfected, first priority security interest in the securities.

(j) Prime commercial paper of a corporation, finance company or banking institution rated in the highest short-term rating category by the Rating Agencies then rating the Bonds.

(k) Public housing bonds issued by public agencies which are either: (i) fully guaranteed by the United States of America or (ii) temporary notes preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America; or (iii) state or public agency or municipality obligations rated in the highest credit rating category by the Rating Agencies then rating the Bonds.

(l) Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, as amended, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund that has been rated in the highest rating category by the Rating Agencies then rating the Bonds.

(m) Money market accounts of any state or federal bank, or bank whose holding parent company is, rated in the top two short-term or long-term rating categories by the Rating Agencies then rating the Bonds.

(n) Investment agreements the issuer of which is rated in one of the two highest rating categories by the Rating Agencies then rating the Bonds.

(o) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments otherwise permitted in paragraphs (a) through (m) above.

(p) Any other debt or fixed income security specified by the Commission (except securities of the City and any agency department commission or instrumentality thereof other than the Commission) and rated in the highest category by the Rating Agencies then rating the Bonds.

"Port Area" shall mean all ports together with facilities and property, which are owned, controlled or operated by the Commission or over which the Commission has management, supervision or control, or which the Commission deems to be of benefit to the Port Area.

"Port Consultant" shall mean a firm or firms of national recognition with knowledge and experience in the field of advising the management of ports as to the planning, development, operation and management of ports and port facilities, selected and employed by the Commission from time to time.

"Principal Amount" shall mean, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof, and (b) with respect to any other Bonds, the stated principal amount thereof.

"Principal Payment Date" shall mean, with respect to any Series of Bonds, each date specified in the Indenture or in the Supplemental Indenture authorizing the issuance thereof for the payment of the

Principal Amount of such Bonds either at maturity or upon prior redemption from mandatory sinking fund payments.

"Prior Lien Bonds" shall mean any of the bonds heretofore authorized to be issued by the State of California pursuant to Chapter 407, Statutes 1909; Chapter 320, Statutes 1909; Chapter 602, Statutes 1913; Chapter 835, Statutes 1929; Chapter 103, Statutes 1958 1st Ex. Sess.; and now outstanding.

"Qualified Self-Insurance" shall mean either (a) a program of self-insurance, or (b) insurance maintained with a fund, company or association in which the Commission shall have a material interest and of which the Commission shall have control, either singly or with others, and in each case which meets the requirements of the Indenture.

"Rating Agency" shall mean Moody's and Standard & Poor's and any other rating agency designated by the Commission.

"Record Date" shall mean, with respect to any Series of Bonds, each date, if any, specified in the Indenture or in the Supplemental Indenture authorizing the issuance thereof as a Record Date.

"Refunded Bond Resolution" shall mean Resolution No. 5231 of the Commission, adopted on July 9, 1969, as supplemented and amended by Resolution No. 7029, adopted on October 28, 1970, Resolution No. 71-2, adopted on January 20, 1971, Resolution No. 71-7 adopted on February 24, 1971, Resolution No. 84-121 adopted on October 10, 1984, and Resolution No. 84-153, adopted on December 5, 1984.

"Refunded Bonds" shall mean, collectively, the Port Commission of San Francisco Revenue Bonds, Series A, Series B and Series C, issued and at any time outstanding pursuant to the Prior Resolution.

"Registrar" shall mean, with respect to any Series of Bonds, each person or entity, if any, designated as such by the Commission in the Indenture or in the Supplemental Indenture authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

"Repayment Obligation" shall mean an obligation under a written agreement between the Commission and a Credit Provider to reimburse the Credit Provider for amounts paid under or pursuant to a Credit Facility for the payment of the Principal Amount or purchase price of and/or interest on any Bonds.

"Reserve Fund" shall mean the Reserve Fund established pursuant to the Indenture.

"Reserve Requirement" means, as to each Series of Bonds and as of any calculation date, an amount equal to the lesser of: (i) Maximum Annual Debt Service on the Outstanding Bonds of such Series, (ii) ten percent (10%) of the proceeds derived from the sale of such Series of Bonds and (iii) 1.25 times average annual debt service due with respect to such Series of Bonds; *provided, however*, that in no event shall the Commission be obligated to fund the Reserve Fund or an account within the Reserve Fund in an amount greater than Maximum Annual Debt Service on the Outstanding Bonds secured by the Reserve Fund (to the extent all Outstanding Bonds are secured on a parity basis by the Reserve Fund) or the Outstanding Bonds secured by any such account. For the purposes of this calculation, Maximum Annual Debt Service shall be deemed only to include payments on Bonds and shall not include Swap Payments, unless otherwise provided in a Supplemental Indenture.

"Responsible Officer" when used with respect to the Trustee shall mean any corporate trust officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Revenue" shall mean all revenue earned by the Commission from or with respect to its management, supervision, operation and control of the Port Area, as determined in accordance with generally accepted accounting or principles. Revenue shall not include: (a) interest income on, and any profit realized from, the investment of the proceeds of any Special Facility Bonds; (b) Special Facility Revenue and any

interest income or profit realized from the investment thereof, unless such receipts are designated as Revenue by the Commission; (c) grants-in-aid, donations and/or bequests, which by their terms would be restricted to uses inconsistent with the purposes provided under the Indenture; (d) insurance proceeds which are not deemed to be Revenue in accordance with generally accepted accounting principles; (e) the proceeds of any condemnation award; (f) the proceeds of any sale of land, buildings or equipment, to the extent such sale is extraordinary or non-recurring; and (g) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Funds or Delivery Costs Funds or any other construction fund funded from proceeds of Refunded Bonds or any Subordinate Bonds, or (ii) the Debt Service Fund which constitute capitalized interest, to the extent required to be paid into the Debt Service Fund, or (iii) the Reserve Fund if and to the extent there is any deficiency therein. "Revenue" also shall not include any revenue as may have been or may be impounded or deposited in the India Basin Sinking Fund created pursuant to Chapter 407, Statutes 1909; the Second San Francisco Seawall Sinking Fund created pursuant to Chapter 320, Statutes 1909; the Third San Francisco Seawall Sinking Fund created pursuant to Chapter 602, Statutes 1913; the Fourth San Francisco Seawall Sinking Fund created pursuant to Chapter 835 Statutes 1929; or the Harbor Bond Sinking Fund created pursuant to Chapter 103, Statutes 1958 1st Ex. Sess.; until and unless all of the Prior Lien Bonds and the interest thereon are and have been paid in full.

"Second Supplemental Indenture" shall mean the Second Supplement to Indenture of Trust, dated as of July 1, 2004, by and between the Commission and the Trustee.

"Series of Bonds" or "Bonds of a Series" or "Series" shall mean a series of Bonds issued pursuant to the Indenture.

"Series 2004 Bonds" shall mean the $_____ aggregate principal amount of Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2004.

"Series 2004 Delivery Costs Fund" shall mean the fund by that name established pursuant to the Second Supplemental Indenture.

"Series 2004 Interest Payment Date" shall mean _____ 1 and _____ 1 of each year, commencing _____ 1, 200__.

"Series 2004 Payment Date" means each Series 2004 Interest Payment Date and Series 2004 Principal Payment Date.

"Series 2004 Principal Payment Date" shall mean _____ 1 of each year, commencing _____ 1, 2005.

"Series 2004 Record Date" shall mean the close of business on the fifteenth day of the month preceding each Series 2004 Interest Payment Date, whether or not such fifteenth day is a Business Day.

"Special Facility" shall mean any existing or planned facility, structure, equipment or other property, real or personal, which is at the Port Area or a part of any facility or structure at the Port Area and which is designated as a Special Facility pursuant to the Indenture.

"Special Facility Bonds" shall mean any revenue bonds, notes, bond anticipation notes, commercial paper or other evidences of indebtedness for borrowed money issued by or certificates of participation executed on behalf of, the Commission to finance a Special Facility, the principal, premium, if any, and interest with respect to which are payable from and secured by the Special Facility Revenue derived from such Special Facility, and not from or by Net Revenue.

"Special Facility Revenue" shall mean the revenue earned by the Commission from or with respect to a Special Facility and which is designated as such by the Commission including but not limited to contractual payments to the Commission under a loan agreement, lease agreement or other written agreement with respect to the Special Facility by and between the Commission and the person, firm,

corporation or other entity, either public or private, as shall operate, occupy or otherwise use the Special Facility.

"Standard & Poor's" shall mean Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York and its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, Standard & Poor's shall mean any other nationally recognized securities rating agency designated by the Commission.

"Subordinate Bonds" shall mean any evidences of indebtedness for borrowed money issued from time to time by the Commission pursuant to the Indenture, including but not limited to, bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein.

"Supplemental Indenture" shall mean an indenture supplementing or amending the provisions of the Indenture.

"Swap Counter Party" shall mean a member of the International Swap Dealers Association rated in one of the three top rating categories by both Rating Agencies.

"Swap Payments" shall mean as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Swap Counter Party by the Trustee, on behalf of the Commission.

"Swap Receipts" shall mean as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Trustee for the account of the Commission by the Swap Counter Party.

"Tax Certificate" shall mean a certificate executed by an Authorized Commission Representative on behalf of the Commission with respect to any Series of Bonds relating to the federal tax aspects of the use of the proceeds of such Bonds and other related matters.

"Treasurer" shall mean the Treasurer of the City, and any successor to his or her duties.

"Trustee" shall mean Union Bank, and any successor to its duties.

"Variable Rate Bonds" shall mean any Bonds the interest rate on which is not fixed to maturity as of the date of calculation.

THE INDENTURE

The following is a summary of certain provisions of the Indenture.

Funds

Creation of Funds and Accounts.

(a) The Enterprise Fund has previously been created and shall be continued and held by the Treasurer.

(b) There is created a Debt Service Fund and a Reserve Fund to be held by the Trustee in trust for the benefit of the Bondholders.

Debt Service Fund. The Commission shall establish with the Trustee a separate account or accounts in the Debt Service Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Debt Service Fund and the accounts therein shall be held in trust by the Trustee and applied to pay Principal Amount and purchase price of and interest and redemption premium on such Bonds, in the amounts, at the times and in the manner set forth in the Indenture and in the Supplemental Indentures with respect thereto; provided, however, that each Supplemental Indenture shall require to the extent practicable that amounts be accumulated in the applicable accounts in the Debt Service Fund so that moneys sufficient to make any regularly scheduled payment of Principal Amount of or interest on the Bonds are on deposit therein at least five (5) Business Days prior thereto. Moneys in the accounts in the Debt Service Fund

may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided in the Indenture or in the Supplemental Indentures with respect thereto.

If and to the extent provided for in any Supplemental Indenture authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of, and Swap Receipts paid directly into, the account or accounts in the Debt Service Fund established with respect to such Series of Bonds.

Reserve Fund. The Reserve Fund shall be funded in an amount at least equal to the Reserve Requirement so long as such Fund is pledged to all Outstanding Bonds on a parity basis; provided, however, that the Commission may by Supplemental Indenture establish a separate Account or Accounts in the Reserve Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Reserve Fund and the accounts therein shall be held in trust by the Trustee for the benefit and security of the Holders of the Bonds to which such accounts are pledged, and shall not be available to pay or secure the payment of any other Bonds. Each account in the Reserve Fund shall be funded and replenished in the amounts, at the times and in the manner provided in the Indenture or in the Supplemental Indentures with respect thereto. Moneys in the respective Accounts in the Reserve Fund shall be applied to pay and secure the payment of such Bonds as provided in the Indenture or in the Supplemental Indenture with respect thereto. Moneys in an Account in the Reserve Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided in the Indenture or in the Supplemental Indenture with respect thereto.

The Reserve Requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank if the obligations insured by such insurer or issued by such bank, as the case may be (i) initially have ratings at the time of issuance of such policy or surety bond or letter of credit in one of the two highest rating categories of the Rating Agencies then rating the Bonds and (ii) maintain at all times ratings at least equal to the lowest ratings on any of the Bonds provided by the Rating Agencies (provided that if the ratings on any Bonds reflect credit enhancement by a Credit Facility, then for such purpose the ratings on such Bonds shall be deemed to be the underlying rating that such Bonds would have without such credit enhancement).

Investment of Moneys. (a) Moneys in all Funds and Accounts held by the Trustee shall be invested as soon as practicable upon receipt in Permitted Investments as directed in writing by an Authorized Commission Representative; *provided*, that (i) the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes thereof, and (ii) in the absence of direction from an Authorized Commission Representative, the Trustee shall invest moneys in the Permitted Investments described in clause (m) of the definition thereof. Anything in the Indenture to the contrary notwithstanding, moneys in all Funds and Accounts held by the Treasurer shall be invested in Permitted Investments in accordance with the policies and procedures of the Treasurer in effect from time to time.

(b) All Permitted Investments on deposit in the Debt Service Fund and the Reserve Fund shall have a rating at least equal to the ratings on the Bonds by the Rating Agencies then rating the Bonds. For such purpose, if the payment of the principal of and interest on any Bonds is insured by a Credit Facility, then the rating on the Bonds shall be deemed to be the underlying rating which such Bonds would have without such credit enhancement.

General Covenants of the Commission

Payment of Principal and Interest; Negative Pledge. (a) The Commission covenants and agrees that it promptly will pay or cause to be paid the Principal Amount and purchase price of premium, if any, and interest on each Bond issued under the Indenture at the place, on the dates and in the manner provided in

the Indenture, in any applicable Supplemental Indenture and in said Bond according to the terms thereof but solely from the sources pledged to such payment or from such other sources or revenue as may lawfully be used for such payment.

(b) The Commission covenants and agrees that it will not create any pledge of, lien on, security interest in or encumbrance upon, or permit the creation of any pledge of, lien on, security interest in or encumbrance upon, Revenue or Net Revenue except as provided in the Indenture for the benefit of the Bonds or except for a pledge, lien, security interest or encumbrance subordinate to the pledge, lien and security interest provided in the Indenture for the benefit of the Bonds.

(c) The Commission covenants that it shall not issue, or cooperate with the issuance of, any bonds or other obligations secured by Net Revenue prior to the Bonds or any additional Prior Lien Bonds so long as any Bonds remain Outstanding hereunder.

Operation and Maintenance of Port Area. The Commission covenants that it will operate and maintain the Port Area as a revenue producing enterprise in accordance with the Act. The Commission will make such repairs to the Port Area as shall be necessary or appropriate in the prudent management thereof. The Commission covenants that it will operate and maintain the Port Area in a manner which will entitle it at all times to charge and collect fees, charges and rentals in accordance with port use agreements, if any, or as otherwise permitted by law, and shall take all reasonable measures permitted by law to enforce prompt payment to it of such fees, charges and rentals when and as due.

The Commission will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Port Area or upon any part thereof, or upon the revenue from the operation thereof, when the same shall become due, as well as any lawful claim for labor, materials or supplies which, if unpaid, might by law become a lien or charge upon the Port Area or such revenue, or which might impair the security of the Bonds. Notwithstanding the foregoing, the Commission need not pay or discharge any tax, assessment or other governmental charge, or claim for labor, materials or supplies, if and so long as the Commission shall contest the validity or application thereof in good faith.

The Commission will continuously operate the Port Area so that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with, but the Commission shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith.

Maintenance of Powers; Retention of Assets. (a) The Commission covenants that it will use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or any other obligation secured by the Indenture or the performance or observance of any of the covenants contained in the Indenture.

(b) The Commission covenants that it will not dispose of assets necessary to operate the Port Area in the manner and at the levels of activity required to enable it to perform its covenants contained in the Indenture, including, without limitation, the covenants regarding Net Revenue coverage.

(c) The Commission covenants that it shall not apply Revenue or any other revenue of the Commission generated at or with respect to the Port Area for other than Port Area purposes as provided in the Charter as such Charter exists on the date of original execution of the Indenture.

Insurance. Subject in each case to the condition that insurance is obtainable at reasonable rates from responsible insurers and upon reasonable terms and conditions:

(a) The Commission shall procure or provide and maintain, at all times while any of the Bonds shall be outstanding, insurance or Qualified Self-Insurance on the Port Area against such risks as are usually

insured by other ports which are similar in their operations to the Port Area. Such insurance or Qualified Self-Insurance shall be in an adequate amount as to the risk insured against as determined by the Commission. The Commission need not carry insurance or Qualified Self-Insurance against losses caused by land movement, including but not limited to seismic activity.

(b) Any Qualified Self-Insurance shall be established in accordance with applicable law; shall include reserves or reinsurance in amounts which the Commission determines to be adequate to protect against risks assumed under such Qualified Self-Insurance, including without limitation any potential retained liability in the event of the termination of such Qualified Self-Insurance; and shall be reviewed at least once every twelve (12) months by an Insurance Consultant who shall deliver to the Commission a report on the adequacy of the reserves established or reinsurance provided thereunder. If the Insurance Consultant determines that such reserves or reinsurance are inadequate, it shall make a recommendation as to the amount of reserves or reinsurance that should be established and maintained, and the Commission shall comply with such recommendation unless it can establish to the satisfaction of, and receive a verification from, the Insurance Consultant that a lower amount is reasonable to provide adequate protection to the Port Area and the Commission.

(c) The proceeds of any insurance shall be applied solely for Port Area purposes. Further, the proceeds of any casualty insurance shall, within a reasonable period of time, not to exceed three years after the receipt of such amounts, be applied to (1) replace the Port Area facilities which were damaged or destroyed, (2) provide additional revenue-producing Port Area facilities, (3) redeem Bonds or (4) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Indenture.

Financial Records and Statements. The Commission shall maintain proper books and records in which full and correct entries shall be made in accordance with generally accepted accounting principles, of all its business and affairs. The Commission shall have an annual audit made by an Independent Auditor and shall within 120 days after the end of each of its Fiscal Years furnish to the Trustee copies of the audited financial statements of the Commission for such Fiscal Year.

All such books and records pertaining to the Port Area shall be open upon reasonable notice during regular business hours to the Trustee or the representatives thereof duly authorized in writing.

Tax Covenants. Except as otherwise provided in the Indenture or in any Supplemental Indenture with respect to a Series of Bonds, the Commission covenants with the Owners of the Bonds that, notwithstanding any other provisions of the Indenture, it will make no use of the proceeds of the Bonds that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

The Commission will not make any use of the proceeds of the Bonds or any other funds of the Commission, or take or omit to take any other action, that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code. To that end, so long as any Bonds are unpaid, the Commission, with respect to such proceeds and such other funds, will comply with all requirements of said sections and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended, to the extent such requirements are, at the time, applicable and in effect.

The Commission will not use or permit the use of the Port Area or any portion thereof by any person other than a governmental unit as such term is used in Section 141 of the Code, in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the interest paid on the Bonds. In furtherance of the foregoing tax covenants, the Commission covenants that it will comply with the instructions and requirements of the Tax Certificate executed with respect to any Series of Bonds, which Tax Certificates are incorporated in the Indenture as if fully set forth in the Indenture. These covenants shall survive the payment in full or defeasance of the Bonds.

Eminent Domain. If a Port Area facility or Port Area facilities are taken by eminent domain proceedings or conveyance in lieu thereof, the Commission shall create within the Port Area Enterprise Fund a special account and credit the net proceeds received as a result of such taking or conveyance to such account and shall within a reasonable period of time, not to exceed three years after the receipt of such amounts, use such proceeds to (1) replace the Port Area facilities which were taken or conveyed, (2) provide additional revenue-producing Port Area facilities, (3) redeem Bonds or (4) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Indenture.

Adoption of Maintenance and Operation Budget. In order to assure the efficient management and operation of the Port Area and to assure and protect the Holders of the Bonds Outstanding under the Indenture, the Commission covenants and agrees that it will each year prepare a preliminary budget for moneys m the Enterprise Fund with respect to all Operation and Maintenance Expenses (the "Operation and Maintenance Expense Budget"). Such Operation and Maintenance Expense Budget shall be exclusive of expenditures with respect to capital expenditures. Such Operation and Maintenance Budget shall be prepared in tentative form on or before June 1 of each year to cover the ensuing Fiscal Year. Such preliminary budget shall be subject to amendment and final adoption, and shall be finally adopted by action of the Commission, and when finally adopted shall become the final budget of the Commission and shall be submitted to the Board of Supervisors of the City for approval.

Default and Remedies

Events of Default. Each of the following is declared an "Event of Default under the Indenture:

(a) if payment of any installment of interest on any Bond shall not be made in full when the same becomes due and payable;

(b) if payment of the Principal Amount of any Bond shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or otherwise;

(c) if payment of the purchase price of any Bond tendered for optional or mandatory purchase in accordance with the provisions of the Supplemental Indenture providing for the issuance of such Bond shall not be made in full when due;

(d) if the Commission shall fail to observe or perform any other covenant or agreement on its part under the Indenture, other than the covenant or agreement regarding maintenance of Net Revenue, for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Commission by the Trustee, or to the Commission and the Trustee by the Owners of at least 25% in aggregate Principal Amount of Bonds then Outstanding; provided, however, that if the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given, it shall not be an Event of Default as long as the Commission has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy;

(e) if the Commission is required under the Indenture to take measures to revise its business operations and/or its schedule of rentals, rates, fees and charges for the use of the Port Area and Net Revenue for the Fiscal Year in which such adjustments are made are less than the amount required under the Indenture;

(f) if either the Commission or the City shall institute proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Commission or of any substantial part of its property, or shall fail to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or shall consent to entry of an order for relief

under the federal Bankruptcy Code, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(g) The occurrence of any other Event of Default as provided in a Supplemental Indenture.

Acceleration. (a) In each and every such case of the continuance of an Event of Default, the Trustee may, and upon the written request of the Credit Provider or Providers identified in any Supplemental Indenture or the Holders of not less than fifty-one percent (51%) in aggregate Principal Amount of the Bonds then Outstanding shall, by notice in writing to the Commission, declare the Principal Amount of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon such declaration of the same, payment of the Principal Amount of all of the Bonds then Outstanding, and the interest accrued thereon, shall be and shall become immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

(b) Promptly after any acceleration of the Bonds, the Trustee shall cause a notice thereof to be mailed, first class, postage prepaid, to all Holders of Bonds and, if provided by a Supplemental Indenture, to one or more Credit Providers. Failure to mail any such notice, or any defect in any notice so mailed, shall not affect such acceleration.

(c) Notwithstanding paragraph (a) above, if at any time after the Principal Amount of the Bonds shall have become due and payable pursuant to an acceleration thereof, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, (i) sufficient moneys (other than moneys drawn by the Trustee under any Credit Facility) shall have accumulated in the Debt Service Fund to pay the Principal Amount of all matured Bonds of each Series and all arrears of interest, if any, upon all such Bonds then Outstanding (except the Principal Amount of any such Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last Interest Payment Date), (ii) the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Commission under the Indenture shall have been paid or moneys sufficient to pay the same shall have been deposited with the Trustee, and (iii) every other default known to the Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds of each Series or in the Indenture (other than a default in the payment of the Principal Amount of such Bonds then due and payable only because of a declaration of an acceleration under the Indenture) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee shall, by a notice in writing to the Commission, rescind and annul such acceleration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Remedies and Enforcement of Remedies. Subject to the provisions of Supplemental Indentures regarding the rights of any Credit Providers, upon the occurrence and continuance of an Event of Default, the Trustee may, or upon the written request of the Holders of not less fifty-one percent (51%) in aggregate Principal Amount of the Bonds together with indemnification of the Trustee to its satisfaction therefor shall, proceed forthwith to protect and enforce its rights and the rights of the Bondholders under the Indenture and under the Act and such Bonds by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Actions to recover money or damages due and owing;

(ii) Actions to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds; and

(iii) Enforcement of any other right of such Bondholders conferred by law, including the Act, or by the Indenture, including without limitation by suit, action, injunction, mandamus or other proceedings to enforce and compel the performance by the Commission of actions required by the Act or the Indenture, including the fixing, charging and collection of fees or other charges.

Application of Revenue and Other Moneys After Default. During the continuance of an Event of Default, all moneys held and received by the Trustee with respect to the Bonds pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the costs and expenses of the proceedings which result in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect to such Event of Default, be applied as follows, provided, however that any proceeds of a Credit Facility, if any, and amounts held in the Debt Service Fund and the Reserve Fund pledged to a particular Series of Bonds shall be applied solely to pay Principal Amount, premium, if any, purchase price, if any, of or interest, as applicable, on the related Series of Bonds:

First: To the payment to the persons entitled thereto of all installments of interest then due on such Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid Principal Amounts and premium, if any, of any such Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), whether at maturity, upon tender or purchase or acceleration or by proceedings for redemption or otherwise, in the order of their due dates as provided in the Indenture and in the Supplemental Indenture under which they were issued, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the Principal Amounts due on such date, to the persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Trustee after a default such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine in accordance with the Indenture, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give such notice as it may deem appropriate in accordance with the Indenture of the deposit with it of any such moneys, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever the Principal Amount, premium, if any, purchase price, if any, and interest thereon of all Bonds ; of a Series have been paid after a default and all expenses and charges of the Trustee have been paid, and each Credit Provider, if any, has been reimbursed for all amounts drawn under the applicable Credit Facility, if any, and used to pay Principal Amount, premium, if any, purchase price, if any, and interest on the Bonds and no Repayment Obligation shall be outstanding, any balance remaining shall be paid first to such Credit Provider to the extent any other amounts are then owing to such Credit Provider under the applicable agreement, and then to the Commission or as a court of competent jurisdiction may direct.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Bondholders or any Credit Provider is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute, including the Act, on or after the date of the Indenture.

Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds to or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee may be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to certain provisions of the Indenture, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Control of Proceedings. (a) If an Event of Default shall have occurred and be continuing the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of the Bonds of one or more Series then Outstanding shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken with respect to funds or assets solely securing such one or more Series in connection with the enforcement of the terms and conditions of the Indenture; provided, that such direction is in accordance with law and the provisions of the Indenture (including indemnity to the Trustee as provided in the Indenture) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders of such Series of Bonds not joining in such direction; and provided further, that nothing shall impair the right of the Trustee in its discretion to take any other action under the Indenture which it may deem proper and in accordance with the Indenture and which is not inconsistent with such direction by Bondholders.

(b) If an Event of Default with respect to shall have occurred and be continuing, the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of all Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee to direct the method and place of conducting any proceeding to be taken with respect to Net Revenue or other assets securing all Bonds in connection with the enforcement of the terms and conditions of the Indenture, provided, that such direction is in accordance with law and the provisions of the Indenture (including indemnity to the Trustee as provided under the Indenture) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders not joining in such direction; and provided further, that nothing shall impair the right of the Trustee in its discretion to take any other action under the Indenture which it may deem proper in accordance with the Indenture and which is not inconsistent with such direction by Bondholders.

Individual Bondholder Action Restricted. (a) No Holder of any Bond shall have any right to institute any suit action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for any remedy under the Indenture unless:

(i) an Event of Default has occurred with respect to such Series (A) under paragraph (a), (b), (c) or (g) of the definition of an Event of Default of which the Trustee is deemed to have notice, or (B) under paragraph (d), (e) or (f) of the definition of an Event of Default as to which the Trustee has actual knowledge, or (C) as to which the Trustee has been notified in writing by the Commission, or (D) as to which the Commission and the Trustee have been notified in writing by the Holders of at least twenty-five percent (25%) in aggregate Principal Amount of the Bonds then Outstanding;

(ii) the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of Bonds then Outstanding have made written request to the Trustee to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; and

(iii) such Bondholders shall have offered the Trustee indemnity as provided in the Indenture; and

(iv) the Trustee shall have failed or refused to exercise the powers in the Indenture granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

(b) No one or more Holders of Bonds of any Series shall have any right in any manner whatsoever to affect, disturb or prejudice the security of the Indenture or to enforce any right under the Indenture except in the manner in the Indenture provided and for the equal benefit of the Holders of all Bonds then Outstanding.

(c) Nothing contained in the Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the Principal Amount of, premium, if any, purchase price, if any, or interest on such Bond on or after the due date thereof, or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the

institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the Indenture on the moneys, funds and properties pledged under the Indenture for the equal and ratable benefit or all Holders of Bonds.

Termination of Proceedings. In case any proceeding taken by the Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or to the Bondholders, then the Commission, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceeding had been taken:

Waiver of Event of Default. (a) No delay or omission of the Trustee of any Holder of the Bonds or, if provided by the Indenture or by Supplemental Indenture, any Credit Provider, to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or, an acquiescence therein. Every power and remedy given under the Indenture to the Trustee, the Holders of the Bonds and, if provided by the Indenture or by Supplemental Indenture, any Credit Provider, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Trustee, with the consent of any Credit Provider if required by Supplemental Indenture (provided, however, that such Credit Provider's consent may be required only in connection with an Event of Default on a Series of Bonds with respect to which such Credit Provider is providing a Credit Facility), may waive any Event of Default with respect to the Bonds that, in its opinion, shall have been remedied at any time, regardless of whether any suit, action or proceeding has been instituted, before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture, or before the completion of the enforcement of any other remedy under the Indenture.

(c) Notwithstanding anything contained in the Indenture to the contrary, the Trustee upon the written request of (i) the Credit Provider, if any, if required by Supplemental Indenture, or (ii) Holders of at least fifty-one percent (51%) of the aggregate Principal Amount of Bonds then Outstanding, with the consent of the applicable to Credit Provider, if any, if provided for by the Indenture or by Supplemental Indenture, shall waive any such Event of Default and its consequences; provided, however, that a default in the payment of the Principal Amount of, premium, if any, purchase price, if any, or interest on any such Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds then Outstanding of such Series to which such Event of Default applies and any consent of the applicable Credit Provider, if any, if provided for by the Indenture or by Supplemental Indenture.

(d) In case of any waiver by the Trustee of an Event of Default under the Indenture the Commission, the Trustee, the Bondholders and, if required by Supplemental Indenture, the Credit Provider, if any, shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default.

Notice of Default. (a) Promptly, but in any event within 30 days after the occurrence of an Event of Default of which the Trustee is deemed to have notice, the Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Holder of registered Bonds then Outstanding, provided that, except in the case of a default in the payment of Principal Amounts, sinking fund installments, purchase price or the redemption price of or interest on any of the Bonds, the Trustee may withhold such notice to such Holders if, in its sole judgment in accordance with the Indenture, it determines that the withholding of such notice is in the best interests of the Holders of the Bonds.

(b) The Trustee shall promptly notify the Commission the Registrar and any Credit Provider, if required to by the Indenture or by a Supplemental Indenture, of the occurrence of an Event of Default of which the Trustee is deemed to have notice pursuant to the Indenture.

Credit Providers to Control Remedies. While a Credit Facility (other than a Credit Facility on deposit in the Reserve Fund) with respect to any Bonds is in effect, notwithstanding anything else in the Indenture to the contrary, a Supplemental Indenture may provide that so long as the Credit Provider is not Insolvent and is not in default under its Credit Facility, no right, power or remedy under the Indenture with respect to such Bonds may be pursued without the prior written consent of such Credit Provider. The Supplemental Indenture may further provide that the Credit Provider shall have the right to direct the Trustee to pursue any right, power or remedy available under the Indenture with respect to any assets available under the Indenture which secure no Bonds other than the Bonds secured by such Credit Facility.

Limitation on Commission's Obligation. The Owners of the Bonds issued under the Indenture expressly understand and agree by their acceptance of the Bonds, that as of the date of the Indenture the Commission has no taxing power whatsoever, and nothing in the Indenture contained shall be deemed to require the Commission to advance any moneys derived from the levy or collection of taxes by the City for the payment of the Principal Amount of, purchase price, if any, premium, if any, or interest on the Bonds. Neither the credit nor the taxing power of the City is pledged for the payment of the Principal Amount of premium if any purchase price if any or interest on the Bonds, and the general fund of the City is not liable for the payment of the Bonds or the interest thereon. The Owners of the Bonds cannot compel the exercise of the taxing power by the City or the forfeiture of its property or the property of the Commission.

The principal of and interest on the Bonds and any premiums upon the redemption of any thereof are not a debt of the Commission nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or on any of its income, receipts or revenue except the Net Revenue and other funds that may be legally applied, pledged or otherwise made available to their payment as provided in the Indenture.

Neither the Commission nor any officer thereof shall be liable or obligated for the payment of the Principal Amount, premium, if any, purchase price, if any, of or interest on the Bonds or for any payment agreed to be made or contemplated to be made pursuant to any of the terms of the Indenture, save and except solely and exclusively from Net Revenue and the other moneys pledged thereto pursuant to the Indenture or any Supplemental Indenture authorizing the issuance thereof. Nothing contained in the Indenture shall prevent the Commission from making advances of its funds howsoever derived to any of the uses and purposes in the Indenture mentioned, provided such funds are derived from any source legally available for such purpose and may be used by the Commission for such purpose without incurring indebtedness.

The Trustee

Acceptance of Trust; General. The Trustee by execution of the Indenture evidences its acceptance of the powers, duties and obligations of the Trustee as are set forth in the Indenture. The Trustee shall have no duty, responsibility or obligation for the payment of Bonds except for payment in accordance with the terms and of the Indenture from, and to the extent of, funds which are held in trust by the Trustee for the purpose of such payment.

Prior to an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Trustee shall not be liable except for the performance of such duties as are specifically set forth in the Indenture. The Trustee shall have no liability for any act or omission to act under the Indenture, or under any other instrument or document executed pursuant thereto except for the Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and

obligations of the Trustee shall be determined solely by the express provisions of the Indenture, and no implied powers, duties or obligations of the Trustee shall be read into the Indenture.

During an Event of Default, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

Notwithstanding any other provision of the Indenture, the Trustee shall have no liability for any (a) error of judgment made in good faith by an officer or officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, or (b) action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than the requisite Principal Amount of Bonds Outstanding specified in the Indenture, as the case may be, then existing relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Indenture.

Trustee Not Required to Take Action Unless Indemnified. Except as expressly required in the Indenture (including the requirements of the next sentence) the Trustee neither shall be required to institute any suit or action or other proceeding in which it may be a defendant, nor to take any steps to enforce its rights and expose it to liability, nor shall the Trustee be deemed liable for failure to take any such action, unless and until it shall have been indemnified, to its satisfaction, against any and all reasonable costs, expenses, outlays, counsel and other fees, other disbursements including its own reasonable fees and against all liability and damages. The Trustee nevertheless, may begin suit, or appear in and defend suit, or do anything else which in its judgment is proper to be done by it as the Trustee, without prior assurance of indemnity, and in such case the Commission shall reimburse the Trustee for all reasonable costs, expenses, outlays, counsel and other fees, and other reasonable disbursements including its own fees, and for all liability and damages suffered by the Trustee in connection therewith, except for the Trustee's own negligent action, its own negligent failure to act, its own willful misconduct or self-dealing constituting a breach of trust under applicable law. If the Trustee begins, appears in or defends such a suit, the Trustee shall give prompt notice of such action to the Commission and shall give such notice prior to taking such action if possible. If the Commission shall fail to make such reimbursement, the Trustee may reimburse itself for any costs and expenses in accordance with the Indenture.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Bondholders. The Commission may adopt, without the consent of or notice to any of the Holders, one or more Supplemental Indentures for one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Indenture;

(b) to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture that shall not have a material adverse effect on the interests of the Holders;

(c) to grain or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(d) to secure additional revenues or provide additional security or reserves for payment of any Bonds;

(e) to preserve the excludability of interest on any Bonds from gross income for purposes of federal income taxes, or to change the tax covenants, pursuant to an Opinion of Bond Counsel that such action will not affect adversely such excludability;

(f) to provide for the issuance of, and to set the terms and conditions of, each additional Series of Bonds under the Indenture, including covenants and provisions with respect thereto which do not violate the terms of the Indenture;

(g) to add requirements the compliance with which is required by a Rating Agency in connection with issuing a rating with respect to any Series of Bonds;

(h) to confirm, as further assurance, any interest of the Trustee in and to the Net Revenue or in and to the Funds and Accounts held by the Trustee or in and to any other moneys, securities or funds of the Commission provided pursuant to the Indenture;

(i) to comply with the requirements of the Trust Indenture Act of 1939, as amended, to the extent applicable;

(j) to provide for uncertificated Bonds or for the issuance of coupon or bearer Bonds;

(k) to accommodate the use of a Credit Facility for specific Bonds or a Series of Bonds; and

(l) to make any other change or addition to the Indenture which, in the Opinion of Bond Counsel, shall not have a material adverse effect on the interests of the Holders.

Supplemental Indentures Requiring Consent of Bondholders. (a) Other than Supplemental Indentures referred to above, the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of the Outstanding Bonds of all Series affected by such amendment may consent to or approve, from time to time, which consent to or approval shall be in writing, the execution by the Commission of such Supplemental Indentures as shall be deemed necessary and desirable by the Commission for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions with respect to such Series contained in the Indenture; provided, however, nothing shall permit or be construed as permitting a Supplemental Indenture which would:

(i) extend the stated maturity of or time or change the currency for paying the Principal Amount or purchase price of, premium, if any, or interest on any Bond or reduce the Principal Amount or purchase price of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) except as expressly permitted by the Indenture, prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) permit the creation of a lien not expressly permitted by the Indenture upon or pledge of the Net Revenue ranking prior to or on a panty with the lien of the Indenture or reduce the aggregate Principal Amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplemental Indenture, without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Commission shall propose the adoption of a Supplemental Indenture pursuant to Bondholder consent, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed adoption of such Supplemental Indenture to be mailed by first class mail, postage prepaid, to all Holders of Bonds of any affected Series then outstanding at their addresses as they appear on the registration books provided for in the Indenture. The Trustee, however, shall not be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, such notice required, and any such failure shall not affect the validity of such Supplemental Indenture when consented to and approved. Such notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by all Bondholders.

(c) If within such period, not exceeding one year, as shall be prescribed by the Commission, following the first giving of a notice as provided in paragraph (b) above, the Trustee shall receive an

instrument or instruments purporting to be executed by the Holders of not less than the aggregate Principal Amount of Bonds specified in paragraph (a) above for the Supplemental Indenture in question which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee may accept such Supplemental Indenture in substantially such form, without liability or responsibility to any Holder of any Bond, regardless of whether such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (regardless of whether such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Trustee, prior to the acceptance by the Trustee of such Supplemental Indenture, such revocation. At any time after the Holders of the required Principal Amount of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Commission a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required Principal Amount of the Bonds Outstanding shall have consented to and approved the adoption by the Commission of such Supplemental Indenture as provided in the Indenture, no Holder of any Bond shall have any right to object to the adoption thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee or the Commission from adopting the same or taking any action pursuant to the provisions thereof.

Satisfaction, Discharge and Defeasance

Discharge. If payment of all Principal Amount of, premium, if any, and interest on a Series of Bonds in accordance with their terms and as provided in the Indenture is made, or is provided for, and if all other sums payable by the Commission under the Indenture with respect to such Series of Bonds shall be paid or provided for, then the pledge, lien, and security interests granted by the Indenture shall cease with respect to such Series; provided, however, that the rebate provisions of the Indenture or of the related Supplemental Indenture shall survive so long as there is any amount due to the federal government pursuant to the provisions of the Indenture or of such Supplemental Indenture. Thereupon, upon the request of the Commission, and upon receipt by the Trustee of an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge as provided above of the lien of the Indenture have been satisfied with respect to such Series of Bonds, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of the Indenture with respect to such Series of Bonds. If the lien of the Indenture has been discharged with respect to all Series of Bonds, the Trustee shall transfer all property held by it under the Indenture, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Bonds, to the Commission or such other person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection therewith.

The Commission may at any time surrender to the Trustee for cancellation any Bonds previously authenticated and delivered which the Commission at its option may have acquired in any manner whatsoever and such Bond upon such surrender and cancellation shall be deemed to be paid and retired.

Defeasance. Payment of any Bonds may be provided for by the deposit with the Trustee of moneys, noncallable Governmental Obligations noncallable Government Certificates or prerefunded municipal obligations described in paragraph (c) of the definition of Permitted Investments, or any combination thereof. The moneys and the maturing principal and interest income on such Government Obligations, Government Certificates or prerefunded municipal obligations, if any, must be sufficient and available without reinvestment to pay when due the Principal Amount, whether at maturity or upon fixed

redemption dates, or purchase price of and premium, if any, and interest on such Bonds. The moneys, Government Obligations, Government Certificates and prerefunded municipal obligations shall be held by the Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the Principal Amount or purchase price or redemption price of, including premium, if any, and interest on such Bonds as the same shall mature or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee to give notice of redemption and to notify all Owners of affected Bonds that the deposit has been made and that such Bonds are deemed to be paid in accordance with the Indenture and stating the applicable maturity date or redemption date and redemption price.

The Trustee shall receive a verification report from an Independent Auditor as to the sufficiency of moneys and investments to provide for payment of any Bonds in the case of a defeasance thereof.

Bonds the payment of which has been provided for in accordance with this procedure shall no longer be deemed Outstanding under the Indenture. The obligation of the Commission in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys, Government Obligations, Government Certificates and prerefunded municipal obligations deposited with the Trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any Bond with respect to which an Opinion of Bond Counsel has been rendered that such interest is excluded from gross income for federal income tax purposes is made subject to federal income taxes. The Trustee shall receive and may rely upon an Opinion of Bond Counsel to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Bonds.

SECOND SUPPLEMENTAL INDENTURE

The following is a summary of certain provisions of the Second Supplemental Indenture.

Series 2004 Interest and Principal Accounts; Reserve Fund; Series 2004 Rebate Fund; Earnings on Debt Service Fund and Reserve Fund

Series 2004 Interest and Principal Accounts. Moneys accumulated in the Enterprise Fund will be transferred by the Commission to the Trustee for deposit in the Debt Service Fund as provided in the Master Indenture and in the Second Supplemental Indenture; provided, that the following accounts are created in the Debt Service Fund held by the Trustee with respect to the Series 2004 Bonds; provided further, however, that to the extent that deposits have been made in any of the accounts referred to below from the proceeds of the sale of the Series 2004 Bonds or otherwise, the deposits below need not be made:

(a) Series 2004 Interest Account. Transfers will be made by the Commission to the Trustee from the Enterprise Fund to the Series 2004 Interest Account within the Debt Service Fund, which account is created, on or before the first Business Day of each month, commencing September 1, 2004, in an amount equal to (i) for the first four monthly transfers, one-fourth (1/4) of the interest to become due on the Series 2004 Bonds on January 1, 2005, and (ii) thereafter, one-fifth (1/5) of the interest to become due on the Series 2004 Bonds on the next succeeding Series 2004 Interest Payment Date (or the then occurring Series 2004 Interest Payment Date, as the case may be); provided that the Commission need not transfer any moneys at such time as the balance in said Series 2004 Interest Account is equal to the aggregate amount of interest becoming due and payable on the then Outstanding Series 2004 Bonds on the next succeeding Series 2004 Interest Payment Date (or the then occurring Series 2004 Interest Payment Date, as the case may be). The obligation to make the foregoing transfers will be on a parity with the obligation to fund any interest accounts created under the Indenture with respect to any

additional Series of Bonds which may be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

(b) Series 2004 Principal Account. Transfers will be made by the Commission to the Trustee from the Enterprise Fund to the Series 2004 Principal Account within the Debt Service Fund, which account is created, on or before the first Business Day of each month, commencing September 1, 2004, in an amount equal to one-tenth (1/10) of the Principal Amount to become due on the Series 2004 Bonds on the next succeeding Series 2004 Principal Payment Date (or the then occurring Series 2004 Principal Payment Date, as the case may be); provided that the Commission need not transfer any moneys at such time as the balance in said Series 2004 Principal Account is equal to the aggregate Principal Amount becoming due and payable on the then Outstanding Series 2004 Bonds on the next succeeding Series 2004 Principal Payment Date (or the then occurring Series 2004 Principal Payment Date, as the case may be). The obligation to make the foregoing transfers will be on a parity with the obligation to fund any principal accounts created under the Indenture with respect to any additional Series of Bonds which may be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

(c) Reserve Fund. Immediately after making the transfers described in paragraphs (a) and (b) above, transfers will be made by the Commission to the Trustee from the Enterprise Fund to the Reserve Fund, on or before the first Business Day of each month, commencing September 1, 2004, in an amount equal to that sum, if any, necessary to restore the Reserve Fund to an amount equal to the Reserve Requirement. If provided for in a Supplemental Indenture, the obligation to make the foregoing transfers will be on a parity with the obligation to fund any separate reserve accounts within the Reserve Fund created under the Indenture with respect to any additional Series of Bonds which may be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

Reserve Fund. The amounts on deposit in the Reserve Fund will secure the Series 2004 Bonds and any other Outstanding Bonds; provided that separate accounts may be established within the Reserve Fund pursuant to the Indenture with respect to one or more Series of Bonds. In accordance with the terms of the Indenture, the amounts deposited in the Reserve Fund from the proceeds of the Series 2004 Bonds may at any time be segregated into a separate Account within such Fund pursuant to the terms of a Supplemental Indenture. If five business Days prior to any Series 2004 Payment Date the amount on deposit in the Debt Service Fund is not sufficient to pay interest on and principal to become due on the Series 2004 Bonds on such Series 2004 Payment Date, then the Trustee will withdraw the amount of any such deficiency from the Reserve Fund and deposit such amount in the Debt Service Fund. All money on deposit in the Reserve Fund in excess of the Reserve Requirement will be transferred to the Commission or to such account as the Commission may designate; and for this purpose all investments in the Reserve Fund will be valued monthly, at the lower of purchase price or the current market value of such investments (inclusive of accrued interest).

Rebate Fund.

(a) General. The Trustee will establish a special fund designated the "Series 2004 Bonds Rebate Fund" (the "Rebate Fund"). All amounts at any time on deposit in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). The Commission may by Supplemental Indenture establish additional funds or accounts for purposes of satisfying the Rebate Requirement with respect to any other Outstanding Bonds. Such amounts will be free and clear of any lien under the Indenture and will be governed by the Master Indenture and by the Tax Certificate relating to the Series 2004 Bonds. The Trustee will be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of the Commission, and will have no independent responsibility

to, or liability resulting from its failure to, enforce compliance by the Commission (with the Rebate Requirement).

(b) Deposits.

(1) Within 45 days of the end of each Bond Year (as such term is defined in the Tax Certificate), (a) the Commission will calculate or cause to be calculated with respect to the Series 2004 Bonds the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Bond Year, and (b) upon the Commission's written direction, the Trustee will deposit to the Rebate Fund from deposits from the Commission, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the "rebate amount" so calculated.

(2) The Trustee will not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (b) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under the Second Supplemental Indenture.

(3) The Commission will not be required to calculate the "rebate amount," and the Trustee will not be required to make deposit of any amount to the Rebate Fund in accordance with this subsection (b), with respect to all or a portion of the proceeds of the Series 2004 Bonds (including amounts treated as proceeds of the Series 2004 Bonds) (a) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (b) to the extent such proceeds are subject to an election by the Commission under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (c) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund." In such event, and with respect to such amounts, the Commission will provide written direction to the Trustee that the Trustee will not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b).

(c) Withdrawal Following Payment of Bonds. Any funds remaining in the Rebate Fund after payment of all the Series 2004 Bonds and any amounts described in the Second Supplemental Indenture, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee, will be withdrawn by the Trustee and remitted to the Commission.

(d) Withdrawal for Payment of Rebate. Upon the Commission's written direction, but subject to the exceptions contained in subsection (b) of Section 3.03 of the Second Supplemental Master Indenture to the requirement to calculate the "rebate amount" and make deposits to the Rebate Fund, the Trustee will pay to the United States, from amounts on deposit in the Rebate Fund,

(1) not later than 60 days after the end of (i) the fifth Bond Year, and (ii) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(2) not later than 60 days after the payment of all Series 2004 Bonds, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(e) Rebate Payments. Each payment required to be made pursuant to the Second Supplemental Indenture will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be; accompanied by Internal Revenue Service Form 8038-T, which shall be completed by the arbitrage rebate consultant for execution by the Commission and provided to the Trustee.

(f) Deficiencies in the Rebate Fund. In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Commission will calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the Commission equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(g) Withdrawals of Excess Amounts. In the event that immediately following the calculation required by the Second Supplemental Indenture, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection (b), upon written instructions from the Commission, the Trustee will withdraw the excess from the Rebate Fund and credit such excess to the Debt Service Fund.

(h) Record Keeping. The Commission will retain records of all determinations made under the Second Supplemental Indenture until six years after the complete retirement of the Series 2004 Bonds.

(i) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Series 2004 Bonds.

Earnings on Debt Service Fund and Reserve Fund. Unless otherwise instructed by the Commission in writing, the Trustee will transfer to the Commission on the first day of each month any interest earnings in the Debt Service Fund and Reserve Fund in excess of the amount required to be on deposit in such funds on such date.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Port Commission of the City and County of San Francisco (the "Port Commission") in connection with the issuance by the Port Commission of its $21,550,000 aggregate principal amount of Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2004 (the "Bonds"). The specific terms and conditions for issuance of the Bonds are contained in the Indenture of Trust dated as of June 1, 1994 between the Port Commission and _____ , as successor to Union Bank of California, N. A., as trustee (the "Indenture"), and the Second Supplement to the Indenture of Trust dated as of July 1, 2004, by and between the Port Commission and _____, as trustee (the "Second Supplement to the Indenture" and together with the Indenture, being referred to herein collectively as the "Indenture") and Resolution No. _____ adopted by the Port Commission on July 13, 2004 (the "Resolution").

The Port Commission hereby covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Port Commission for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Port Commission pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Port Commission, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Port Commission, and which has filed with the Port Commission a written acceptance of such designation.

"Holder" or "bondholder" shall mean the registered owner of any Bond.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. A list of the National Repositories approved by the Securities and Exchange Commission (the "SEC") may be found on the SEC's website at http://www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the SEC. As of the date of this Disclosure Certificate, there is no State Repository. The current status of State Repositories may be checked on the SEC's website at http://www.sec.gov/info/municipal/nrmsir.htm.

SECTION 3. Provision of Annual Reports.

(a) The Port Commission shall, or if the Port Commission is no longer acting as Dissemination Agent, cause the Dissemination Agent to, not later than 270 days after the end of the Port Commission's fiscal year (which currently is June 30), commencing with the report for the 2004-05 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Port Commission may be submitted separately from the balance of its Annual Report and later than the date required above for filing of such Annual Report if they are not available by the date. If the Port Commission's fiscal year changes, the Port Commission shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) above for providing the Annual Report to Repositories, the Port Commission (or the Dissemination Agent if the Dissemination Agent is other than the Port Commission) shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Port Commission's Annual Report, the Dissemination Agent shall contact the Port Commission to determine if the Port Commission is in compliance with the first sentence of this subsection.

(c) If the Dissemination Agent is unable to verify that the Annual Report of the Port Commission is available to provide to the Repositories by the date requested in subsections (a) and (b) of this Section, the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the Port Commission, file a report with the Port Commission certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Port Commission's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the Port Commission for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Port Commission's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Updated information in the table captioned "PORT OF SAN FRANCISCO, HISTORICAL OPERATION & MAINTENANCE EXPENSES, FOR FISCAL YEAR ENDING JUNE 30,";

3. Updated information in the table captioned "PORT OF SAN FRANCISCO, NET REVENUE COVERAGE, FOR FISCAL YEARS ENDING JUNE 30,";

4. Updated information in the table captioned "TOP 10 TENANTS BY FISCAL YEAR 2002-03 REVENUE";

5. Updated information in the table captioned "MAJOR PORT OPERATING REVENUES"; and

6. Updated information in the table captioned "PORT OF SAN FRANCISCO, Fiscal Year 2004-05 Budget."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Port Commission or related public entities, which have been submitted to each of the Repositories or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Port Commission shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the Port Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Bondholders;

4. optional, contingent or unscheduled Bond calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events affecting the tax-exempt status of the Bonds;

8. unscheduled draws on debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform; and,

11. release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the Port Commission obtains knowledge of the occurrence of a Listed Event, the Port Commission shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Port Commission determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Port Commission shall promptly file, or cause to be filed, a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Event described in Sections 5(a)(4) and 5(a)(5) need not be given under this subsection any earlier than the notice (if any) of the underlying event given to Owners of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Port Commission's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Port Commission shall give notice of such termination in the same manner as that for giving notice of the occurrence of a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Port Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Port Commission pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Port Commission may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the General Counsel to the Port Commission, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(c) The amendment of waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture with the consent of Owners, or (ii) does not, in the opinion of the Port Commission or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Port Commission shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case

of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port Commission. In addition if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c); and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Port Commission from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Port Commission chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Port Commission shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Port Commission to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Port Commission to comply with its obligations under this Disclosure Certificate; provided that any such action may only be instituted in a Federal or State court located in the State. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Port Commission to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Port Commission, the Dissemination Agent, if any, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____ __, 2004.

PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

By:_____
Executive Director

APPROVED AS TO FORM:

NOREEN AMBROSE,
PORT GENERAL COUNSEL

By:_____
Deputy City Attorney

EXHIBIT A TO CONTINUING DISCLOSURE CERTIFICATE

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Port Commission of the City and County of San Francisco

Name of Bond Issue: $21,550,000 aggregate principal amount of Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2004 (the "Bonds").

Date of Issuance: _____, 2004.

NOTICE IS HEREBY GIVEN that the Port Commission of the City and County of San Francisco (the "Port Commission") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the Port Commission dated _____, 2004. The Port Commission anticipates that the Annual Report will be filed by _____.

Dated: _____

_____
as Dissemination Agent on behalf of the
Port Commission of the City and County of San Francisco

cc: City and County of San Francisco

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. Neither the Port Commission nor the Trustee take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the

Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current Rules applicable to DTC are on file with the Securities and Exchange Commission and the current Procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC and its Participants. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing City" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Book-Entry Only System. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name

of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Port Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Port Commission, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Port Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Port Commission, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Port Commission. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Port Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Discontinuance of DTC Services. In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Port Commission determines that DTC will no longer so act

and delivers a written certificate to that effect, then the Port Commission will discontinue the Book-Entry Only System with DTC for the Bonds. If the Port Commission determines to replace DTC with another qualified securities depository, the Port Commission will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the indenture or fiscal agent agreement executed in connection with the Bonds. If the Port Commission fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds will no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but will be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds designates.

If the Book-Entry Only System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal of, and redemption premiums, if any, on, the Bonds will be payable upon surrender thereof at the office of the paying agent, (iii) interest on the Bonds will be payable by check mailed by first-class mail or, upon the written request of any Owner of $1,000,000 or more in aggregate principal amount of Bonds received by the paying agent on or prior to the close of business on the last day of the month immediately preceding the interest payment date, by wire transfer in immediately available funds to an account with a financial institution within the continental United States of America designated by such Owner, and (iv) the Bonds will be transferable and exchangeable as provided in the Indenture.

to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Series 2004 Bonds constitute valid and binding special limited obligations of the Commission and are payable solely from Net Revenues and certain other amounts held under the Indenture.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the Commission. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Net Revenues of the Commission, and certain other amounts held by the Trustee under the Indenture, as and to the extent set forth in the Indenture and subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The Series 2004 Bonds do not constitute an indebtedness of the State of California or of the Commission or of the City, and no taxes may be levied for the payment of the Series 2004 Bonds.

4. Additional Series of Bonds and other obligations of the Commission which are payable from Net Revenues on a parity basis with the Series 2004 Bonds may from time to time hereafter be issued in accordance with the Indenture.

5. Under existing law and assuming compliance with certain covenants set forth in the Indenture and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the Series 2004 Bonds and the timely payment of certain investment earnings to the United States, interest on the Series 2004 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest from gross income for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with proceeds of the Series 2004 Bonds or a "related person". Interest on the Series 2004 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2004 Bonds, is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

6. Interest on the Series 2004 Bonds is exempt from personal income taxes imposed by the State of California.

Except for the foregoing, we express no opinion with respect to any other federal tax consequences caused by the ownership or disposition of, or the receipt or accrual of interest on, the Series 2004 Bonds.

Respectfully Submitted,

APPENDIX G

SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE LEGISLATION

This Appendix contains summaries of certain provisions of 1968 Statutes of California, Chapter 1333, as amended (the "Burton Act"), and of the Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco (the "Transfer Agreement"). In addition, summaries are included of certain provisions of State legislation affecting the use and development of Port property at Piers 30-32, Mission Bay and Western Pacific. These summaries are not intended to be a full statement of the contents of the documents summarized, and reference is made to the complete documents for the full terms of each. Capitalized terms used herein which are not otherwise defined herein shall have the meanings ascribed thereto in the documents. Copies of the Burton Act and the Transfer Agreement may be obtained from the Port Commission; copies of State legislation are available through the California State Legislature's web site..

THE BURTON ACT

The Burton Act authorizes the transfer in trust to the City and County of San Francisco (the "City") the interest of the State of California (the "State") in and to, and the control and management of, the Harbor of San Francisco.

The Burton Act specifies the terms and conditions of transfer of all of the right, title and interest held by the State in the real property of the Port of San Francisco, together with all improvements, rights, privileges, easements and appurtenances connected therewith or in anywise appertaining thereto, and any and all personal property of every kind and description owned or controlled by the State and used in connection with the operation and maintenance of San Francisco Harbor and including any deposits of funds held by or for the San Francisco Port Authority; excepting and reserving unto the State all subsurface mineral deposits, including oil and gas deposits, together with the right of ingress and egress on the properties conveyed to the City for exploration, drilling and extraction of such mineral, oil and gas deposits.

The City, through a Harbor Commission of the City, shall have complete authority, except as otherwise agreed to as a condition of the transfer and as provided in the Burton Act, to use, conduct, operate, maintain, manage, regulate, improve and control the harbor of San Francisco and to do all things it deems necessary in connection with the use, conduct, operation, management, maintenance, regulation, improvement and control of said harbor which are not prohibited by the laws of the State or the Charter of the City and which are in conformance with the terms of the Burton Act, including, without limiting the generality of the foregoing, the following:

1. The improvement and conduct of the harbor and the construction, reconstruction, repair and operation of all works, buildings, facilities, utilities, structures and appliances, incidental, necessary or convenient for the promotion and accommodation of commerce and navigation;

2. The use for all commerce and industrial purposes and the construction, reconstruction, repair, maintenance of commercial and industrial buildings, plants and facilities;

3. The establishment, improvement and conduct of railroad facilities, which facilities shall not be subject to State Public Utilities Commission regulation, and aviation facilities and all works, buildings, facilities, utilities, structures and appliances incidental, necessary or convenient for the promotion and conduct of air commerce and navigation and railroad transportation;

4. The construction, reconstruction, repair, maintenance and operation of public buildings, parks, playgrounds, public educational and recreational facilities and all works, buildings, facilities, structures and appliances incidental, necessary or convenient for the promotion and accommodation of any such uses;

5. The preservation or restoration of marine resources consistent with the primary mission of the San Francisco Harbor;

6. The grant of franchises for limited periods not exceeding 66 years for wharves and other public uses and purposes and the lease of said lands, facilities, or any part thereof for limited periods not exceeding 66 years, and the collection and retention of rents and other revenue from such leases, franchises, permits, licenses, and privileges shall be for purposes consistent with the trusts upon which the lands are held by the State and with the requirements of commerce and navigation, or if the Harbor Commission of the City determines that any portion of the transferred lands is not required for the foregoing uses, such lease or leases, franchises, permits, licenses, and privileges, may be for the purposes of such development and use as the commission finds to be in the public interest, with moneys derived therefrom to be used by the commission in the furtherance of commerce and navigation. The moneys derived from such lease or leases, franchises, permits, licenses, and privileges shall be used solely for the furtherance of the purposes specified by the Burton Act.

The City shall establish a separate harbor trust fund or funds upon the transfer in such manner as may be prescribed by the State Department of Finance; the City shall deposit in the fund or funds all moneys received directly from or indirectly attributable to facilities on the transferred lands in the harbor. An annual statement of financial condition and operations, to conform with such requirements as the State Department of Finance may prescribe, shall be submitted to the State Department of Finance each year by the City on or before September 30th of each year for the preceding fiscal year.

Notwithstanding any other provision of law to the contrary, the City, either acting alone or jointly with another local or State agency, may use revenues accruing from or out of the use of the transferred lands for any or all of the following purposes, provided the same comply with the terms of the trust which are matters of Statewide as distinguished from local or purely private interest and benefit:

1. The construction, reconstruction, improvement, repair, operation, maintenance, promotion, and protection of works, lands, waterways, and facilities necessary for the development of such transferred lands for highest and best use in the public interest, including commerce, navigation, fisheries, marinas, small boat harbors, marine stadiums, maritime museums, marine parks, beaches, and such streets, roadways, bridges, bridge approaches, earthfills, bulkheads, piers, supporting structures, buildings, recreational facilities, landscaping, and parking lots situated upon such transferred lands, or adjacent thereto and reasonably necessary to provide access to, or development of, such transferred lands;

2. The promotion, by advertising and such other means as may be reasonable and appropriate, of maximum public use of such transferred lands or to encourage private investment in development of such transferred lands for the highest and best use in the public interest;

3. Any other uses or purposes of State, as distinguished from purely local or private, interest and benefit, which are in fulfillment of those trust uses and purposes described in the Burton Act;

4. The acquisition of property and the rendition of services reasonably necessary to the carrying out of the foregoing uses and purposes, including the amortization or debt service of any capital improvement funding program which is consistent with the terms and conditions set forth in the Burton Act.

Revenue accruing from or out of the use of the transferred lands may be deposited in one or more reserve funds for use in accordance with the terms and conditions set forth in the Burton Act.

Upon transfer of the Port to the City, the authority, justification and control of San Francisco Port Authority over San Francisco Harbor and the facilities thereof shall be deemed transferred to the City and the port authority shall cease to function and be dissolved. The City shall thereupon assume control and jurisdiction over the San Francisco Harbor and facilities and shall have complete authority to use, operate, maintain, manage, regulate, improve and control the harbor of San Francisco and to do and perform all acts as may be deemed necessary in connection with the use, operation, maintenance, management, regulation, improvement and control of said harbor as may be prescribed.

San Francisco Harbor and facilities shall be under the administration and control of the Harbor Commission of the City which shall be established in accordance with the provisions of the Charter of the City. The commission shall consist of five members, each member serving for a term of four years. Each of said members shall be appointed by the mayor, said appointment being subject to confirmation by the Board of Supervisors of the City.

In the event that the City fails or refuses to file with the State Department of Finance any report, statement, or document required by any provision of the Burton Act within the time period specified by the Burton Act, or any extension period granted pursuant to the Burton Act, or fails or refuses to carry out the terms of the transfer by which the lands were transferred to it pursuant to the Burton Act, the State Attorney General shall, upon request of the State Department of Finance, bring such judicial proceedings for correction and enforcement as are appropriate, and shall act to protect any properties and assets situated on the transferred lands or derived therefrom. The State Department of Finance shall notify the Chief Clerk of the State Assembly and the Secretary of the State Senate within 30 days of the occurrence of such failure or refusal and of actions taken as a result thereof.

The State Department of Finance shall, from time to time, institute a formal inquiry to determine that the terms and conditions of the Burton Act, and amendments thereto, have been complied with, and that all other applicable provisions of law concerning the specific transferred lands are being complied with in good faith.

The State Legislature reserves the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust provided for in the Burton Act, provided that the State shall thereupon assume all lawful obligations related to such lands as may revert to the State by such action.

The State Attorney General, at his own instance, or upon formal request of the State Department of Finance, or by resolution of either house of the State Legislature, shall bring an action in the superior court of the City to declare that the transfer under which the City holds such transferred lands is revoked for gross and willful violation of the terms of such transfer or the provisions of the Burton Act or other legislative enactment, or to compel compliance with the terms and conditions of the transfer and any other provision of law including, but not limited to, the Burton Act.

No amendment, modification, or revocation, in whole or in part, of the transfer of lands in trust provided for in the Burton Act shall impair or affect the rights or obligations of third parties, including the holders of revenue bonds or securities issued by the Harbor Commission of San Francisco and payable out of revenue of the harbor, lessees, lenders for value, holders of contracts conferring the right to the use and

occupation of, or the right to conduct operations upon or within, such lands, arising from leases, contracts, or other instruments lawfully entered into prior to the effective date of such amendment, modification, or revocation.

In the event, at the effective date of any such amendment, modification, or revocation, there are in effect any such leases, contracts, or other instruments, the State may, at its option exercised by, and evidenced by appropriate action on the part of, the State Lands Commission, succeed to the interest in any such instrument of the City; otherwise the interest of the City in any such instrument then in effect shall continue during the term or other period of time during which such instrument shall remain in effect; and provided further, that in any event all revenues bonds or securities issued by the Harbor Commission of San Francisco and payable out of revenues of the harbor shall continue to be so payable and secured in all respects as provided in the proceedings for their issuance and the revenues of the harbor shall be pledged to and applied to the payment of such revenue bonds or securities in all respects as though no such amendment, modification, or revocation had taken place.

THE TRANSFER AGREEMENT

The following summary describes certain provisions of the Transfer Agreement, dated as of January 24, 1969, between the State and the City, pursuant to which the Port was transferrred to the City by the State in accordance with the Burton Act.

Transfer of Property

REAL PROPERTY: The real property which is transferred under the Burton Act is the real property under the jurisdiction and control of the San Francisco Port Authority as of the date of transfer, subject to certain restrictions and exceptions, all as more particularly set forth in the Burton Act, and subject to a survey of such property by the City and agreement between the parties as to the description, which description is be deemed to be a part of the Transfer Agreement.

PERSONAL PROPERTY OTHER THAN FUNDS: All personal property owned or controlled by the State and used in connection with the operation and maintenance of the harbor is transferred pursuant to the terms of the Burton Act.

TRANSFER OF FUNDS: The funds transferred from the State to the City pursuant to the Burton Act consist of the following funds established by statute: San Francisco Harbor Improvement Fund; San Francisco Sea Wall Fund No. 4; San Francisco Sea Wall No. 5; Harbor Bond Sinking Fund; India Basin Sinking Fund; San Francisco Sea Wall Sinking Fund No. 2; San Francisco Sea Wall Sinking Fund No. 3; San Francisco Sea Wall Sinking Fund No. 4; and Special Deposit. Monies in the Surplus Monies Investment Fund from each of the above funds will be transferred as of the date of transfer in accordance with the provisions of the Transfer Agreement, and interest on those monies will be credited by the State in the same manner and to the same extent as it credited interest at the time of transfer to the deposits of the funds when the San Francisco Port Authority requests transfer back to the funds. The fund designated Special Deposit is a trust fund in which monies which are not property of the State are deposited prior to refund or repayment to other persons. Such fund will be taken by the City subject to repayment to the true owners. In the event the funds are not repaid and vest in the City, such funds will be credited by the City to the San Francisco Harbor Improvement Fund. Upon the transfer of these funds from the State to the City, the City will set up funds identical with the funds designated. Deposits will be made into these funds in the same manner and to the same extent as deposits were made at the time of transfer and the funds will be used for the same purposes as the funds are used by the State; however the City is not precluded from setting up additional funds when and if that becomes necessary, nor setting up additional

accounts in the funds when and if such accounts become necessary. The additional funds may not, however, be set up except upon prior written notification to the State Director of Finance. In the event the State Director of Finance is of the opinion that the additional funds will affect the security of the funds now in existence or will otherwise adversely affect the interests of the Harbor, the State Director of Finance may disapprove funds which are properly and reasonably set up for the repayment of bond issues authorized pursuant to the Burton Act providing the monies available to the Harbor are sufficient to meet obligations to funds created prior in time and to meet current obligations and maintenance.

In addition to the funds enumerated above, the parties agree that any and all receivables, obligations, liquidated and unliquidated, and choses in action owing to the Authority at the time of the transfer are likewise transferred.

Limitations on Property Transferred

All the limitations, exceptions and conditions on transfer of property from the State to the City contained in the Burton Act are made a part of the Transfer Agreement. The following provisions define and interpret the provisions of the Burton Act which require such definition or interpretation.

The Burton Act excepts and reserves to the State all subsurface mineral deposits including oil and gas deposits, together with the right of ingress and egress on the properties conveyed to the City for exploration, drilling and excavation of such mineral, oil and gas deposits. Minerals covered in this reservation are deemed to include all of the minerals enumerated in California Public Resources Code Section 6407. Nothing contained in the Transfer Agreement precludes the City in its operation of the Harbor from moving or removing earth, including sand, gravel and other deposits for purposes of dredging, filling, excavating, bulkheading or any other ordinary port maintenance, construction or reconstruction without charge to the City therefor. The right of ingress and egress in the reservation will be exercised in such manner and to such extent as not to unreasonably interfere with the property for the purposes for which it has been transferred under the Burton Act.

The Burton Act reserves to the people of the State the right to hunt and fish in and over the waters of San Francisco Harbor. The right to hunt and fish is not intended to and does not limit the police powers of the City in connection with hunting or fishing in the city limits. The right to hunt and to fish will not be exercised in such fashion as to interfere with the operation of the property for port purposes, nor will such rights be exercised in an area or in such manner as to endanger the safety of persons or property.

Conditions of Transfer

The City by the Transfer Agreement agrees to indemnify, defend and hold harmless the State with regard to all outstanding bonded indebtedness incurred for San Francisco Harbor improvements. To carry out the requirements of the Transfer Agreement the City agrees to set up certain funds. In the event that there are not sufficient funds in the San Francisco Harbor Improvement Fund set up by the City, the Board of Supervisors of the City will at the time of fixing the general tax levy and in the manner for such general tax levy provided, levy and collect annually each year until such bonds are paid or until there is a sum in the treasury of the City set apart for that purpose to meet all the sums coming due for the principal and interest on said bonds, a tax sufficient to pay the annual interest on such bonds as the same become due and also such part of the principal thereof as shall become due before the proceeds of a tax levied at the time for making the necessary general tax levy can be made available for the payment of such principal.

The City agrees to assume the obligations and duties of the Port Authority on all outstanding contracts, leases, franchises or agreements.

The City agrees to transfer to the State amounts necessary to pay the amounts due upon the bonded indebtedness prior to the time such amounts are due.

To comply with the provisions of the Burton Act, the City promises to perform all the obligations and requirements set forth in the Burton Act, and agrees that the Transfer Agreement will become a binding obligation on the City prior to the transfer.

Requirements of Transfer

The Burton Act requires the City to establish a separate Harbor Trust Fund or funds in such manner as may be prescribed by the State Department of Finance. It is the intention of the parties as more specifically set forth in the Transfer Agreement that unless or until the Transfer Agreement is amended, the City will set up funds to the same extent and for the same purpose as the Port Authority funds set up by the State Controller of the State. When all the bond redemptions covered by a specific fund have been made or when the monies in Sea Wall Fund No. 4 or Sea Wall Fund No. 5 have been exhausted, those funds may be discontinued. Nothing in the Transfer Agreement, however, precludes the establishment of additional funds which may become necessary because of Harbor operations. The City agrees that all monies received directly from or indirectly attributable to the transferred lands or its facilities or any other property transferred by the Transfer Agreement will be deposited in the fund or funds set up pursuant to the Transfer Agreement. Monies not designated for other specific funds will be deposited in the San Francisco Harbor Improvement Fund.

The Burton Act provides that an annual statement of financial condition and operation will be transmitted by the City to the State Department of Finance each year on or before September 30th for the preceding fiscal year, and the City agrees that it will continue to submit to the State Director of Finance financial statements in accordance with the State Administrative Manual.

The City shall, at the request of the State Department of Finance, make its books and records in connection with the Harbor available for audit and inspection to auditors of the State in order that the State may insure that the provisions of the Burton Act are complied with and to assist the State Department of Finance in complying with its duties under the Burton Act.

Expenditure of Port Funds and Use of Property

All of the property transferred under the Burton Act is required to be held by the City in trust for purposes of commerce, navigation and fisheries and subject to the terms and conditions specified in the Burton Act and set forth in the Transfer Agreement. All property acquired with funds derived from the transferred property is likewise required to be held by the City. Without prejudice to the generality of the foregoing, the parties agree specifically to the following:

> Personal property transferred under the Burton Act and property later acquired with Port funds to replace such property shall continue to bear separate designations so that the trust nature of the property can be determined. In the event that the City uses said property for other than trust purposes, it shall reimburse the Port funds for the use of such property. Nothing in the Transfer Agreement shall, however, prevent the Port from disposing of personal property which is obsolete or is no longer required for the trust purposes, but in that event the funds derived therefrom shall become Port funds subject to the purposes of the trust.
>
> The City shall not require the Port to perform functions or accept or employ personnel in excess of functions or personnel required to carry out the purposes of the trust.

The City may, if it elects to do so, undertake some or all of the functions of street maintenance within the Port area, but it may not require the Port to maintain streets and roadways outside the Port area nor may it require the Port to maintain streets, roadways, bridges or other facilities maintained by the City at the time of transfer, nor may it require the Port to undertake the furnishing or maintenance of streets, roadways and bridges primarily designed as thoroughfares for the City rather than as roadways for Port purposes. In the event streets, roadways or bridges perform a dual function, an appropriate division of costs shall be made. This provision is not intended to affect the Embarcadero, maintained by the Port at the time of transfer, nor is it intended to prevent the Port from constructing or maintaining any streets, roadways, bridges or sidewalks the Port deems required.

In the event that duties other than police traffic services in the Port area or protection of Port property are required of the Port police, payment for such additional duties shall be made from other than Harbor funds.

Revenue received from parking meters installed on the transferred lands shall continue to accrue to the Port so long as the Port installs, operates and maintains the meters.

The Port at the time of transfer performed at its own expense some fire protection services and reimbursed the City for certain other fire protection services. In the event additional fire protection services are required, such additional services shall not be paid for out of Harbor funds.

Nothing in the Transfer Agreement shall preclude the City from undertaking all or part of the services performed by the Port if economies will result therefrom. The Port shall not, however, be required to contribute to City services if such contribution will result in expenditures greater than those required.

Autonomous Operation

The Port Commission provided for by the Burton Act shall have all the powers and duties given to boards and commissions by the Charter of the City, and shall have the power to establish such departments and bureaus as may be necessary or convenient for the conduct of its affairs. Subject to the terms and conditions of the transfer and the Transfer Agreement, the Port Commission shall have the control and management of all real and personal property transferred under the Burton Act, or otherwise acquired or purchased with funds under its control or acquired or purchased by it within the scope of its authority, or otherwise placed under its management, supervision and control. The property under the control and management of the commission shall be known as the Port Area. The Port Commission shall have the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port Area of San Francisco and to do all things it deems necessary in connection with the use, conduct, operation, management, maintenance, regulation, improvement and control of said Port Area, or which may further the interests of the Port in world trade, including, without limiting the generality of the foregoing, the exclusive power to perform or accomplish the following in the Port Area:

1. The improvement, operation and conduct of the harbor, and any and all improvements or facilities located thereon;

2. The construction, reconstruction, repair, operation and use of all works, buildings, facilities, utilities, structures and appliances incidental, necessary or convenient for the promotion and accommodation of commerce and navigation, or located within the Port Area;

3. The establishment, improvement and conduct of railroad and aviation facilities and all works, buildings, facilities, utilities, structures and appliances incidental, necessary or convenient for the promotion and conduct of air commerce and navigation and railroad transportation;

4. The construction, reconstruction, repair, maintenance and operation of public buildings, parks, playgrounds, public educational and recreation facilities and all works, buildings, facilities, utilities, structures and appliances incidental, necessary or convenient for the promotion and accommodation of any such uses;

5. The preservation or restoration of marine resources consistent with the primary mission of the harbor of San Francisco;

6. The grant of franchises thereof for limited periods not exceeding 66 years for wharves and other public uses and purposes and the lease of said lands, facilities, or any part thereof for limited periods not exceeding 66 years, and the collection and retention of rents and other revenue from such leases, franchises, permits, licenses, and privileges. Such lease or leases, franchises, permits, licenses, and privileges shall be for purposes consistent with the trusts upon which the lands are held by the State and with the requirements of commerce and navigation, or if the Port Commission of the City determines that any portion of the transferred lands is not required for the foregoing uses described in this paragraph, such lease or leases, franchises, permits, licenses, and privileges, may be for the purposes of such development and use as the commission finds will yield maximum profits to be used by the commission in the furtherance of commerce and navigation;

7. Leases and franchises granted or made by the Port Commission shall be administered exclusively by the operating forces of the Port Commission;

8. There shall be a Port Director who shall be the chief executive of the Port Commission and who shall have the management of the affairs and activities placed under the jurisdiction of the commission. He shall devote his entire time to the duties of his office and his salary shall be fixed by the commission. He shall hold his office at the pleasure of the commission and shall have the management of said Harbor and of all of the facilities and equipment thereof and of all bureaus and departments established for the operation of said Harbor or for the operation of any equipment or facility thereof. Subject to the approval of the commission, he shall appoint and remove any and all heads of departments or bureaus who are not subject to the civil service provisions of the Charter of the City. He shall possess the necessary administrative, executive and technical qualifications necessary to enable him to perform the duties of his office. His compensation shall not exceed prevailing salaries paid those holding similar positions in comparable maritime employment. The commission may confer on him such additional powers and authority as it may see fit. Nothing in the foregoing provisions shall be construed to prohibit an amendment to the Charter of the City to provide for the appointment of a Port Director by the commission.

9. To regulate the berthing, anchoring, towing, loading and unloading and mooring of vessels within the Port;

10. To issue receipts, negotiable or otherwise, for property or merchandise in its charge or possession;

11. To fix all rates, dockage, rentals, tolls, wharfage, and charges, for the use and occupation of the public facilities or appliances of the Port, and for services rendered by the Port Commission, and to provide for the collection thereof;

12. To enter into contracts, agreements, or stipulations germane to the scope of its powers and duties;

13. To give such bonds or assurances as may be required by the United States in the operations permitted under the Transfer Agreement;

14. To provide and equip offices within or without the Port, within other states, or in foreign countries, and through such employees and agencies as it may deem expedient;

15. To contract for and operate foreign trade zones within the Port Area or auxiliary to the Port Area, or such zones or sub-zones as have been operated by the San Francisco Port Authority. Agreement may be made with the Public Utilities Commission for operation of future zones or sub-zones in other areas;

16. Members and officers of the Port Commission shall be exempt from the provisions of the Charter of the City relating to absences from the State, but shall advise the Mayor and the Board of Supervisors of the City in advance of such absences;

17. May promote the maritime and commercial interests of the Harbor by advertising its advantages and facilities and by the solicitation of business. The advertising and solicitation may be conducted within or without the State and through such agencies, mediums, employees and agents as are determined by the commission. The commission may, in its discretion, publish and distribute a magazine, pamphlets, booklets and other printed and advertising matter for the purpose of developing traffic and promoting and maintaining the commerce and prestige of the Port, and may use any monies of the Harbor Fund for the special purposes described in this paragraph. Members and employees of the commission in attending conventions of port authorities and meetings of transportation clubs, trade associations and business organizations that may advance the interests of the Port shall be allowed their actual necessary expenses in the performance of such services as may from time to time be deemed desirable by the commission and shall be allowed hospitality expenses necessarily incurred in furthering the interests of the Port;

18. To issue revenue bonds for purposes of the Burton Act;

19. To expend all funds necessary to the carrying out of the powers and duties expressed in the Transfer Agreement;

20. The Transfer Agreement vests in the Port Commission all of the powers set forth in the Burton Act.

It is the understanding of the parties that the finding of the Department of City Planning that a proposed capital improvement project on Port property does not conform to the Master Plan does not preclude the Board from authorizing an appropriation of Port funds for the capital improvement project.

Protection of Existing Uses

The City is required to make every effort to provide users of the property at the time of transfer with continued occupancy under fair terms and conditions and without unfair advantage or discrimination.

Amendment

The Transfer Agreement is binding on the City and the State Department of Finance unless or until the parties amend the Transfer Agreement in writing.

In the event, however, that the State Legislature amends, modifies or revokes the Burton Act, as provided therein, to the extent such action of the State Legislature is not in conformity with the Transfer Agreement, the Transfer Agreement will be deemed amended, modified or revoked thereby in accordance with the action of the Legislature. In that event the parties to the Transfer Agreement will meet promptly to negotiate any necessary changes.

Summary of State Legislation Governing Use and Development of Port of San Francisco Piers 30-32, Mission Bay and Western Pacific Properties.

Ch. 489, California Stats. of 2001 (Cruise Terminal Legislation).

In September 2001, the State Legislature adopted legislation, known as AB 1389, sponsored by Assemblyman Kevin Shelley. The Governor signed AB 1389 in October 2001. Among other items, AB 1389: 1) allows 300,000 leasable square feet of office space on Piers 30-32 and allows an additional 25,000 square feet in the cruise terminal facility for no longer than 14 years, converting to trust use at that time or sooner if needed for cruise terminal expansion; and 2) allows a limited amount of non-trust retail (i.e., there must be a greater amount of trust-consistent retail and the ratio of trust to non-trust retail must be at least 40% of total office leasable space).

AB 1389 also accelerates the timing for the completion of the Brannan Street Wharf, a new waterfront park to be constructed between Piers 30-32 and Pier 38, as identified in the San Francisco Bay Conservation and Development Commission (BCDC) Special Area Plan. With review by BCDC, the Port must approve the final design concept for the Brannan Street Wharf, prior to the submittal of a major permit application to BCDC, encumber funds for the completion of the Brannan Street Wharf, place funds in a segregated account prior to issuance of a BCDC permit, construct the northern portion of the Brannan Street Wharf contemporaneously with the Piers 30-32 project, and remove Pier 36 and complete the Brannan Street Wharf no later than five years after the start of construction of the Piers 30-32 project.
AB 1389 also ratified and confirmed the Special Area Plan as necessary to the health, safety and welfare of the public in the entire Bay Area.

Ch. 203, California Stats. 1997 (Mission Bay Legislation).

This State legislation adopted in 1997 (SB 1215) authorized the removal of the public trust and the Burton Act trust from certain property owned by the City, the Port and Catellus located in the Mission Bay North and South Redevelopment Plan Areas and authorized the placement of the public trust on other property in Mission Bay, together with certain use restrictions contemplated by the legislation. The areas of public trust include streets and areas along the water within Port jurisdiction as shown on the map attached to SB 1215 and restricts uses within those areas to public parks, open space, public access to and along the shoreline, rail within existing public roadways, and utility facilities that do not significantly impair the use of those lands for those uses. Other interim uses are permitted provided that the interim uses may be converted to the permitted uses under specified circumstances.

SB 1215 also authorized the removal of public trust claims from the inland areas of the Western Pacific Property, a 35 acre site located between Cesar Chavez Street, 25th Street, Illinois Street, and the Bay, and replaced the public trust on a 125' shoreline band and in the submerged portions of the Western Pacific Property in the Bay. As discussed below, in 2003, the State Lands Commission approved an exchange of the public trust from a portion of Seawall Lot 330 to a portion of the Western Pacific Property.

Western Pacific/SWL 330 Trust Exchange (California State Lands Commission Action).

In 2003, the State Lands Commission approved an exchange of the public trust between a portion of a Port's Seawall Lot, SWL 330, and the Western Pacific Property. This exchange allowed for the removal of the public trust restriction on a portion of SWL 330, which in turn allowed for the $9 million sale of that parcel for development of a condominium tower. In exchange, the public trust and Burton Act trust is now placed on an approximately 8.77 acre site located between Maryland Street, Cesar Chavez Street, and 25th Street, on the eastern portion of the Western Pacific parcel, thereby restricting use and development on the Western Pacific property for uses consistent with the public trust and Burton Act trust.

APPENDIX H

FORM OF MUNICIPAL BOND INSURANCE POLICY

ATTACHMENT 3

CONTINUING DISCLOSURE CERTIFICATE

ATTACHMENT 3

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Port Commission of the City and County of San Francisco (the "Port Commission") in connection with the issuance by the Port Commission of its $21,550,000 aggregate principal amount of Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2004 (the "Bonds"). The specific terms and conditions for issuance of the Bonds are contained in the Indenture of Trust dated as of June 1, 1994 between the Port Commission and _____ , as successor to Union Bank of California, N. A., as trustee (the "Indenture"), and the Second Supplement to the Indenture of Trust dated as of July 1, 2004, by and between the Port Commission and _____, as trustee (the "Second Supplement to the Indenture" and together with the Indenture, being referred to herein collectively as the "Indenture") and Resolution No. _____ adopted by the Port Commission on July 13, 2004 (the "Resolution").

The Port Commission hereby covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Port Commission for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Port Commission pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Port Commission, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Port Commission, and which has filed with the Port Commission a written acceptance of such designation.

"Holder" or "bondholder" shall mean the registered owner of any Bond.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. A list of the National Repositories approved by the Securities and Exchange Commission (the "SEC") may be found on the SEC's website at http://www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the SEC. As of the date of this Disclosure Certificate, there is no State Repository. The current status of State Repositories may be checked on the SEC's website at http://www.sec.gov/info/municipal/nrmsir.htm.

SECTION 3. Provision of Annual Reports.

(a) The Port Commission shall, or if the Port Commission is no longer acting as Dissemination Agent, cause the Dissemination Agent to, not later than 270 days after the end of the Port Commission's fiscal year (which currently is June 30), commencing with the report for the 2004-05 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Port Commission may be submitted separately from the balance of its Annual Report and later than the date required above for filing of such Annual Report if they are not available by the date. If the Port Commission's fiscal year changes, the Port Commission shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) above for providing the Annual Report to Repositories, the Port Commission (or the Dissemination Agent if the Dissemination Agent is other than the Port Commission) shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Port Commission's Annual Report, the Dissemination Agent shall contact the Port Commission to determine if the Port Commission is in compliance with the first sentence of this subsection.

(c) If the Dissemination Agent is unable to verify that the Annual Report of the Port Commission is available to provide to the Repositories by the date requested in subsections (a) and (b) of this Section, the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the Port Commission, file a report with the Port Commission certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Port Commission's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the Port Commission for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Port Commission's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Updated information in the table captioned "PORT OF SAN FRANCISCO, HISTORICAL OPERATION & MAINTENANCE EXPENSES, FOR FISCAL YEAR ENDING JUNE 30,";

3. Updated information in the table captioned "PORT OF SAN FRANCISCO, NET REVENUE COVERAGE, FOR FISCAL YEARS ENDING JUNE 30,";

4. Updated information in the table captioned "TOP 10 TENANTS BY FISCAL YEAR 2002-03 REVENUE";

5. Updated information in the table captioned "MAJOR PORT OPERATING REVENUES"; and

6. Updated information in the table captioned "PORT OF SAN FRANCISCO, Fiscal Year 2004-05 Budget."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Port Commission or related public entities, which have been submitted to each of the Repositories or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Port Commission shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the Port Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Bondholders;

4. optional, contingent or unscheduled Bond calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events affecting the tax-exempt status of the Bonds;

8. unscheduled draws on debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform; and,

11. release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the Port Commission obtains knowledge of the occurrence of a Listed Event, the Port Commission shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Port Commission determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Port Commission shall promptly file, or cause to be filed, a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Event described in Sections 5(a)(4) and 5(a)(5) need not be given under this subsection any earlier than the notice (if any) of the underlying event given to Owners of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Port Commission's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Port Commission shall give notice of such termination in the same manner as that for giving notice of the occurrence of a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Port Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Port Commission pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Port Commission may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the General Counsel to the Port Commission, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(c) The amendment of waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture with the consent of Owners, or (ii) does not, in the opinion of the Port Commission or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Port Commission shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being

ATTACHMENT 4

SECOND SUPPLEMENTAL TO INDENTURE OF TRUST

Nixon Peabody LLP
Draft #5 7/7/04

ATTACHMENT 4

SECOND SUPPLEMENT TO INDENTURE OF TRUST

by and between the

PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

and

[_____]

as Trustee

Dated as of July 1, 2004

PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO REFUNDING REVENUE BONDS, SERIES 2004

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SECOND SUPPLEMENT TO INDENTURE OF TRUST

This SECOND SUPPLEMENT TO INDENTURE OF TRUST, dated as of July 1, 2004 (the "Second Supplemental Indenture"), by and between the PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO (the "Commission"), duly constituted and established under Sections 4.114 and B3.581 *et seq.* of the Charter of the City and County of San Francisco and [_____], a [state] banking [corporation], duly organized under the laws of the [State of California], as trustee (the "Trustee");

W I T N E S S E T H:

WHEREAS, the Commission has entered into an agreement dated as of January 24, 1969 (the "State Agreement") pursuant to which the State of California (the "State") has transferred ownership of the Port of San Francisco to the City and County of San Francisco; and

WHEREAS, under Section B3.581 of the Charter of the City and County of San Francisco (the "Charter"), the Commission has the control and management of all real and personal property transferred under State of California Statutes 1968, Chapter 1333, or otherwise acquired or purchased with funds under its control or acquired or purchased by it within the scope of its authority, or otherwise placed under its management, supervision and control (the "Port Area"); and

WHEREAS, under Section 9.111 of the Charter, Chapter 43, Article VI ("Article VI") of the City and County of San Francisco Municipal Code (the "Municipal Code") and the procedures provided for in the Revenue Bond Law of 1941 (Article 6 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 54300) as it read, including amendments, on June 5, 1984, except as amended in the Municipal Code (the "Bond Law"), whenever the public interest and necessity so require, the Commission may, acting under Article VI of the Municipal Code, authorize the issuance of refunding bonds under the procedures provided for in the Bond Law in order to refund outstanding revenue bonds; and

WHEREAS, the Commission has previously issued $53,610,000 aggregate principal amount of Port Commission of the City and County of San Francisco Revenue Refunding Bonds, Series 1994 (the "Prior Bonds"), of which $23,175,000 aggregate principal amount will be outstanding as of the date of issuance of the Series 2004 Bonds (defined below); and

WHEREAS, the Commission has authorized and issued the Prior Bonds pursuant to Resolution No. 94-37 of the Commission, adopted on March 22, 1994 and Resolution No. 325-94, adopted on April 11, 1994 (collectively, the "Prior Resolution") and an Indenture of Trust, dated as of June 1, 1994 (the "Master Indenture"), by and between the Commission and the Trustee, which provides for the security and issuance of one or more series of port revenue bonds (the "Bonds"), as amended and supplemented by that certain First Supplement to Indenture of Trust, dated as of June 1, 1994 (the "First Supplemental Indenture") by and between the Commission and the Trustee; and

WHEREAS, the Commission is in compliance with the terms of the Master Indenture, including the terms thereof with respect to the issuance of additional Series of Bonds; and

WHEREAS, the Commission is entering into this Second Supplemental Indenture in order to provide for the terms of a series of Bonds to be designated as "Refunding Revenue Bonds, Series 2004" (the "Series 2004 Bonds"), which will be issued under and in accordance with the Charter, Article VI of the Municipal Code and the procedures provided for in the Bond Law and pursuant to the terms and conditions set forth in the Master Indenture and herein, and for the purpose of refunding all of the outstanding Prior Bonds;

NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE WITNESSETH that in order to secure the payment of the Principal Amount of, and premium, if any, and interest on the Series 2004 Bonds delivered under the Master Indenture and hereunder and to secure the performance of the terms, conditions, covenants, agreements, trusts, uses and purposes hereinafter expressed, and in consideration of the premises and covenants herein contained and of the purchase and acceptance of the Series 2004 Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Commission does hereby agree and covenant with the Trustee for the benefit of the respective Owners, from time to time, of the Series 2004 Bonds, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. *Definitions.* The capitalized terms used in this Second Supplemental Indenture shall have the meanings assigned to such terms in the Master Indenture, unless otherwise defined below or elsewhere in this Second Supplemental Indenture or unless a different meaning clearly applies from the context in which such term is used herein:

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate of the Commission, dated the date of issuance and delivery of the Series 2004 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Depository" shall mean (a) initially, DTC, and (b) any other securities depository acting as Depository pursuant to Section 2.06 hereof.

"Depository System Participant" shall mean any participant in the Depository's book-entry system.

"DTC" shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Agent" means Union Bank, as escrow bank under the Escrow Agreement.

"Escrow Agreement" means that certain Escrow Agreement, dated as of July 1, 2004 relating to the defeasance of the Prior Bonds, by and between the Commission and the Escrow Agent.

"Escrow Fund" means the fund by that name established and maintained under the Escrow Agreement.

"Final Resolution" means Resolution No. _____ of the Commission adopted on _____, 2004.

"First Supplemental Indenture" shall mean that certain First Supplement to Indenture of Trust, dated as of June 1, 1994, by and between the Commission and the Trustee.

"Indenture" means the Master Indenture, as amended and supplemented by the First Supplemental Indenture and the Second Supplemental Indenture.

"Master Indenture" shall mean the Indenture of Trust, dated as of June 1, 1994, by and between the Commission and the Trustee.

"Nominee" shall mean "CEDE & CO." or any successor nominee designated by the Depository pursuant to the terms of the Indenture.

"Second Supplemental Indenture" shall mean this Second Supplement to Indenture of Trust, dated as of July 1, 2004, by and between the Commission and the Trustee.

"Series 2004 Bonds" shall mean the $_____ aggregate principal amount of Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2004.

"Series 2004 Delivery Costs Fund" shall mean the fund by that name established pursuant to Section 2.05(b) hereof.

"Series 2004 Interest Payment Date" shall mean January 1 and July 1 of each year, commencing January 1, 2005.

"Series 2004 Payment Date" means each Series 2004 Interest Payment Date and Series 2004 Principal Payment Date.

"Series 2004 Principal Payment Date" shall mean July 1 of each year, commencing July 1, 2005.

"Series 2004 Record Date" shall mean the close of business on the fifteenth day of the month preceding each Series 2004 Interest Payment Date, whether or not such fifteenth day is a Business Day.

ARTICLE II

TERMS OF SERIES 2004 BONDS

SECTION 2.01. *Authorization and Purpose of Series 2004 Bonds.* The Commission hereby authorizes the issuance of the Series 2004 Bonds for the purpose of providing moneys to refund the Prior Bonds. The parties hereto hereby acknowledge and agree that the Series 2004

Bonds constitute "Bonds" as defined in the Master Indenture and that the Series 2004 Bonds are secured on a parity with any additional Series of Bonds which may hereafter be issued under the Indenture.

SECTION 2.02. *Terms of the Series 2004 Bonds.* (a) General. The Series 2004 Bonds are authorized to be issued by the Commission under and subject to the terms of the Indenture, the Charter, Article VI of the Municipal Code and the procedures provided for in the Bond Law, and shall be designated the "Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2004." The Series 2004 Bonds shall be issued in the aggregate principal amount of _____ Million _____ Hundred _____ Thousand Dollars ($_____). The Series 2004 Bonds shall be dated their date of delivery, shall bear interest at the rates set forth herein (calculated on the basis of a 360-day year comprised of twelve 30-day months), shall be issued as fully registered bonds in authorized denominations of $5,000 or any integral multiple thereof, shall be numbered in such manner as the Trustee may deem appropriate so long as each Series 2004 Bond receives a distinctive number and shall mature, subject to the right of prior redemption in whole or in part, as described herein, and become payable in the amounts and on the dates as provided herein.

(b) Maturity Schedule of Series 2004 Bonds. The Series 2004 Bonds shall bear interest at the rates per annum, payable on each Series 2004 Interest Payment Date, and be payable as to principal on each Series 2004 Principal Payment Date in each of the years and in the amounts indicated as follows:

Series 2004 Bonds

Year (July 1)	Principal	Rate
[to come]		

(c) Payment Series 2004 Bonds. The Series 2004 Bonds shall bear interest from the Series 2004 Interest Payment Date immediately preceding the date of authentication thereof unless (i) the date of authentication thereof is prior to the first regular Series 2004 Record Date, in which event from the dated date of such Series 2004 Bond, or (ii) the date of authentication thereof is a Series 2004 Interest Payment Date, in which event from that Series 2004 Interest Payment Date, or (iii) the date of authentication thereof is after a regular Series 2004 Record Date but before the following Series 2004 Interest Payment Date, in which event it shall bear

interest from such Series 2004 Interest Payment Date.

Payment of interest on the Series 2004 Bonds shall be paid by check or draft mailed by the Trustee on the Series 2004 Interest Payment Date via first-class mail to the Holders at their addresses shown on the registration books of the Trustee as of the close of business on the Series 2004 Record Date with respect to such Series 2004 Interest Payment Date; provided that payment of interest may be paid by federal wire transfer to an account in the United States designated by any Holder of Series 2004 Bonds in the aggregate principal amount of $1,000,000 or more, upon provision of a written notice received by the Trustee prior to the applicable Series 2004 Record Date. Any such written notice shall remain in effect until terminated or changed by subsequent written notice of the Holder.

Interest shall be paid notwithstanding the cancellation of any Series 2004 Bonds upon any exchange or registration of transfer thereof subsequent to the Series 2004 Record Date and prior to such Series 2004 Interest Payment Date.

The Principal Amount of and redemption premiums, if any, on the Series 2004 Bonds and payments of interest due at maturity or earlier redemption of the Series 2004 Bonds, shall be payable upon the surrender thereof at the Corporate Trust Office of the Trustee. The Principal Amount of and redemption premiums, if any, and interest on the Series 2004 Bonds shall be paid in lawful money of the United States of America.

(d) Limitations on Transfer and Exchange of Series 2004 Bonds. The Commission and the Trustee shall not be required to issue, register the transfer of, or exchange (i) any Series 2004 Bond during the period beginning on the fifteenth day of the month preceding each Series 2004 Interest Payment Date and ending on such Series 2004 Interest Payment Date, during the fifteen (15) days preceding the selection of Series 2004 Bonds for redemption, on any date on which notice of redemption is scheduled to be mailed, on any redemption date, or (ii) any Series 2004 Bond selected for redemption.

SECTION 2.03. [RESERVED]

SECTION 2.04. *Forms of Series 2004 Bonds.* The Series 2004 Bonds and the forms of authentication and registration endorsement and the assignment to appear thereon shall be substantially in the forms attached hereto as Exhibit A, with necessary or appropriate variations, omission and insertions as permitted or required by the Indenture.

SECTION 2.05. *Application of Proceeds of Sale of the Series 2004 Bonds; Establishment of Series 2004 Delivery Costs Fund.*

(a) Application of Proceeds. Upon receipt of payment of the purchase price for the Series 2004 Bonds from the original purchaser thereof, the Trustee shall set aside and deposit such amount, together with any other available amounts, as follows:

(1) The Trustee shall deposit in the Reserve Fund from Series 2004 Bond proceeds the sum equal to $_____;

(2) The Trustee shall deposit in the Series 2004 Delivery Costs Fund established pursuant to Section 2.05(b) hereof such moneys to be used to pay Delivery Costs with respect to the Series 2004 Bonds as directed by a certificate of the Commission;

(3) The Trustee shall transfer to the Escrow Agent for the Prior Bonds the sum equal to $_____ from Series 2004 Bond proceeds for deposit to the Escrow Fund established under the Escrow Agreement to be applied, together with other available funds, to the redemption in full of the Prior Bonds pursuant to the terms of the Indenture and the Escrow Agreement.

(b) Series 2004 Delivery Costs Fund. The Trustee shall establish a Series 2004 Delivery Costs Fund for the deposit and retention of a portion of the Series 2004 Bond proceeds held pending disbursement thereof. The Trustee shall disburse amounts in the Series 2004 Delivery Costs Fund upon receipt from the Commission of a requisition setting out the payee, the amount of such disbursement and the purpose of such disbursement, including a statement that said disbursement was incurred for Delivery Costs and has not been subject to a prior requisition. Upon the earlier of 180 days after initial delivery of the Series 2004 Bonds or receipt by the Trustee of a certificate of the Commission that all Delivery Costs with respect to Series 2004 Bonds have been paid, the Trustee shall transfer remaining amounts in the Series 2004 Delivery Costs Fund to the Series 2004 Interest Account.

SECTION 2.06. *Book-Entry Provisions.*

(a) Original Delivery. The Commission may provide prior to the date of delivery of the Series 2004 Bonds, that the Series 2004 Bonds may be initially delivered in book-entry form pursuant to this Section 2.06.

The Series 2004 Bonds initially delivered in book-entry form shall be initially delivered in the form of a separate single fully registered Series 2004 Bond without coupons (which may be typewritten) for each maturity of the Series 2004 Bonds. Upon initial delivery, the ownership of each such Series 2004 Bond shall be registered by the Trustee in the name of the Nominee. Except as provided in subsection (c) below, the ownership of all such Outstanding Series 2004 Bonds shall be registered in the name of the Nominee on the registration books of the Registrar.

With respect to Series 2004 Bonds the ownership of which shall be registered in the name of the Nominee, the Commission and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Commission holds an interest in the Series 2004 Bonds. Without limiting the generality of the immediately preceding sentence, the Commission and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository

System Participant with respect to any ownership interest in the Series 2004 Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Series 2004 Bondholder as shown in the Registration Books, of any notice with respect to the Series 2004 Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Series 2004 Bonds to be redeemed in the event the Commission elects to redeem the Series 2004 Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Series 2004 Bondholder as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Series 2004 Bonds or (v) any consent given or other action taken by the Depository as Holder of the Series 2004 Bonds. The Commission and the Trustee may treat and consider the person in whose name each Series 2004 Bond is registered as the absolute owner of such Series 2004 Bond for the purpose of payment of principal, premium and interest on such Series 2004 Bond, for the purpose of giving notices of prepayment and other matters with respect to such Series 2004 Bond, for the purpose of registering transfers of ownership of such Series 2004 Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and interest and premium, if any, on the Series 2004 Bonds only to the respective Holders or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Series 2004 Bonds to the extent of the sum or sums so paid. No person other than a Series 2004 Bondholder shall receive a Series 2004 Bond evidencing the obligation of the Commission to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Commission shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Series 2004 Bonds for the Depository's book-entry system, the Commission and the Trustee shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Series 2004 Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Commission or the Trustee any obligation whatsoever with respect to persons having interests in the Series 2004 Bonds other than the Series 2004 Bondholders. The Trustee agrees to comply with all provisions in such letter with respect to the giving of notices thereunder by the Trustee. In addition to the execution and delivery of such letter, the Commission may take any other actions, not inconsistent with this Indenture, to qualify the Series 2004 Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Series 2004 Bonds, or (ii) the Commission determines to terminate the Depository as such, then the Commission shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Commission and the Trustee in the issuance of replacement Series 2004 Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Series 2004 Bonds, and by surrendering the Series 2004 Bonds,

registered in the name of the Nominee, to the Trustee on or before the date such replacement Series 2004 Bonds are to be issued. The Depository, by accepting delivery of the Series 2004 Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Commission fails to identify another Securities Depository to replace the Depository, then the Series 2004 Bonds shall no longer be required to be registered in the name of the Nominee, but shall be registered in whatever name or names the Holders transferring or exchanging Series 2004 Bonds shall designate, in accordance with the provisions of Article II of the Master Indenture. Prior to its termination, the Depository shall furnish the Trustee with the names and addresses of the Depository System Participants and respective ownership interests thereof.

(d) Payments to the Nominee. Notwithstanding any other provision of the Indenture to the contrary, so long as any Series 2004 Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Series 2004 Bond and all notices with respect to such Series 2004 Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section 2.06 or as otherwise instructed by the Depository.

ARTICLE III

SERIES 2004 INTEREST AND PRINCIPAL ACCOUNTS; RESERVE FUND; SERIES 2004 REBATE FUND; EARNINGS ON DEBT SERVICE FUND AND RESERVE FUND

SECTION 3.01. *Series 2004 Interest and Principal Accounts.* Moneys accumulated in the Enterprise Fund shall be transferred by the Commission to the Trustee for deposit in the Debt Service Fund as provided in Section 5.05 of the Master Indenture and this Section 3.01; provided, that the following accounts are created in the Debt Service Fund held by the Trustee with respect to the Series 2004 Bonds; provided further, however, that to the extent that deposits have been made in any of the accounts referred to below from the proceeds of the sale of the Series 2004 Bonds or otherwise, the deposits below need not be made:

(a) Series 2004 Interest Account. Transfers shall be made by the Commission to the Trustee from the Enterprise Fund to the Series 2004 Interest Account within the Debt Service Fund, which account is hereby created, on or before the first Business Day of each month, commencing September 1, 2004, in an amount equal to (i) for the first four monthly transfers, one-fourth (1/4) of the interest to become due on the Series 2004 Bonds on January 1, 2005, and (ii) thereafter, one-fifth (1/5) of the interest to become due on the Series 2004 Bonds on the next succeeding Series 2004 Interest Payment Date (or the then occurring Series 2004 Interest Payment Date, as the case may be); provided that the Commission need not transfer any moneys at such time as the balance in said Series 2004 Interest Account shall be equal to the aggregate amount of interest becoming due and payable on the then Outstanding Series 2004 Bonds on the next succeeding Series 2004 Interest Payment Date (or the then occurring Series 2004 Interest Payment Date, as the case may be). The obligation to make the foregoing transfers shall be on a

parity with the obligation to fund any interest accounts henceforth created under the Indenture with respect to any additional Series of Bonds which may hereafter be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

(b) Series 2004 Principal Account. Transfers shall be made by the Commission to the Trustee from the Enterprise Fund to the Series 2004 Principal Account within the Debt Service Fund, which account is hereby created, on or before the first Business Day of each month, commencing September 1, 2004, in an amount equal to one-tenth (1/10) of the Principal Amount to become due on the Series 2004 Bonds on the next succeeding Series 2004 Principal Payment Date (or the then occurring Series 2004 Principal Payment Date, as the case may be); provided that the Commission need not transfer any moneys at such time as the balance in said Series 2004 Principal Account shall be equal to the aggregate Principal Amount becoming due and payable on the then Outstanding Series 2004 Bonds on the next succeeding Series 2004 Principal Payment Date (or the then occurring Series 2004 Principal Payment Date, as the case may be). The obligation to make the foregoing transfers shall be on a parity with the obligation to fund any principal accounts henceforth created under the Indenture with respect to any additional Series of Bonds which may hereafter be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

(c) Reserve Fund. Immediately after making the transfers described in paragraphs (a) and (b) above, transfers shall be made by the Commission to the Trustee from the Enterprise Fund to the Reserve Fund, on or before the first Business Day of each month, commencing September 1, 2004, in an amount equal to that sum, if any, necessary to restore the Reserve Fund to an amount equal to the Reserve Requirement. If provided for in a Supplemental Indenture, the obligation to make the foregoing transfers shall be on a parity with the obligation to fund any separate reserve accounts within the Reserve Fund henceforth created under the Indenture with respect to any additional Series of Bonds which may hereafter be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

SECTION 3.02. *Reserve Fund.* The amounts on deposit in the Reserve Fund shall secure the Series 2004 Bonds and any other Outstanding Bonds; provided that separate accounts may be established within the Reserve Fund pursuant to the Indenture with respect to one or more Series of Bonds. In accordance with the terms of the Indenture, the amounts deposited in the Reserve Fund from the proceeds of the Series 2004 Bonds may at any time be segregated into a separate Account within such Fund pursuant to the terms of a Supplemental Indenture. If five business Days prior to any Series 2004 Payment Date the amount on deposit in the Debt Service Fund is not sufficient to pay interest on and principal to become due on the Series 2004 Bonds on such Series 2004 Payment Date, then the Trustee shall withdraw the amount of any such deficiency from the Reserve Fund and deposit such amount in the Debt Service Fund. All money on deposit in the Reserve Fund in excess of the Reserve Requirement shall be transferred to the Commission or to such account as the Commission may designate; and for this purpose all

investments in the Reserve Fund shall be valued monthly, at the lower of purchase price or the current market value of such investments (inclusive of accrued interest).

SECTION 3.03. *Rebate Fund.*(a) General. The Trustee shall establish a special fund designated the "Series 2004 Bonds Rebate Fund" (the "Rebate Fund"). All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). The Commission may by Supplemental Indenture establish additional funds or accounts for purposes of satisfying the Rebate Requirement with respect to any other Outstanding Bonds. Such amounts shall be free and clear of any lien under the Indenture and shall be governed by this Section 3.03 and Section 6.07 of the Master Indenture and by the Tax Certificate relating to the Series 2004 Bonds. The Trustee shall be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of the Commission, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Commission (with the Rebate Requirement).

(b) Deposits.

(1) Within 45 days of the end of each Bond Year (as such term is defined in the Tax Certificate), (a) the Commission shall calculate or cause to be calculated with respect to the Series 2004 Bonds the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Bond Year, and (b) upon the Commission's written direction, the Trustee shall deposit to the Rebate Fund from deposits from the Commission, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the "rebate amount" so calculated.

(2) The Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (b) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under subsection (g) of this Section 3.03.

(3) The Commission shall not be required to calculate the "rebate amount," and the Trustee shall not be required to make deposit of any amount to the Rebate Fund in accordance with this subsection (b), with respect to all or a portion of the proceeds of the Series 2004 Bonds (including amounts treated as proceeds of the Series 2004 Bonds) (a) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (b) to the extent such proceeds are subject to an election by the Commission under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (c) to the extent such proceeds qualify for the

exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund." In such event, and with respect to such amounts, the Commission shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b).

(c) Withdrawal Following Payment of Bonds. Any funds remaining in the Rebate Fund after payment of all the Series 2004 Bonds and any amounts described in paragraph (2) of subsection (d) of this Section 3.03, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee, shall be withdrawn by the Trustee and remitted to the Commission.

(d) Withdrawal for Payment of Rebate. Upon the Commission's written direction, but subject to the exceptions contained in subsection (b) of this Section 3.03 to the requirement to calculate the "rebate amount" and make deposits to the Rebate Fund, the Trustee shall pay to the United States, from amounts on deposit in the Rebate Fund,

(1) not later than 60 days after the end of (i) the fifth Bond Year, and (ii) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(2) not later than 60 days after the payment of all Series 2004 Bonds, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1 .148-3 of the Treasury Regulations.

(e) Rebate Payments. Each payment required to be made pursuant to subsection (d) of this Section 3.03 shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be; accompanied by Internal Revenue Service Form 8038-T, which shall be completed by the arbitrage rebate consultant for execution by the Commission and provided to the Trustee.

(f) Deficiencies in the Rebate Fund. In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Commission shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the Commission equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(g) Withdrawals of Excess Amounts. In the event that immediately following the calculation required by subsection (b) of this Section 3.03, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection (b), upon written instructions from the

Commission, the Trustee shall withdraw the excess from the Rebate Fund and credit such excess to the Debt Service Fund.

(h) Record Keeping. The Commission shall retain records of all determinations made hereunder until six years after the complete retirement of the Series 2004 Bonds.

(i) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Series 2004 Bonds.

SECTION 3.04. *Earnings on Debt Service Fund and Reserve Fund.* Unless otherwise instructed by the Commission in writing, the Trustee shall transfer to the Commission on the first day of each month any interest earnings in the Debt Service Fund and Reserve Fund in excess of the amount required to be on deposit in such funds on such date.

ARTICLE IV

CITY CONTRACTING REQUIREMENTS

The provisions relating to the City contracting requirements set forth in this Article IV are included for convenience of reference and are subject in all respects to the terms set forth in more complete versions of the applicable ordinances. In the event of any conflict between the provisions contained herein and the applicable ordinance, the provisions of the applicable ordinance shall govern. If requested, the Commission shall promptly provide a copy of the complete version of the ordinance to the Trustee, but the failure of the Commission to timely provide such information shall not be deemed a default hereunder.

SECTION 4.01. *Minority/Women/Local Business Utilization; Liquidated Damages.*

(a) Compliance. The Trustee understands and agrees to comply fully with all provisions of Chapter 12D.A ("Minority/Women/ Local Business Utilization Ordinance--IV") of the San Francisco Administrative Code and agrees to include this paragraph in all subcontracts made in fulfillment of the Trustee's obligations under this Second Supplemental Indenture. Said provisions are incorporated herein by reference and made a part of this Second Supplemental Indenture as though fully set forth herein. The Trustee's willful failure to comply with Chapter 12D.A is a material breach of contract.

(b) Enforcement. If the Trustee willfully fails to comply with any of the provisions of Chapter 12D.A, the rules and regulations implementing Chapter 12D.A, or the provisions of this Second Supplemental Indenture pertaining to MBE or WBE participation, Trustee shall be liable for liquidated damages in an amount equal to the Trustee's net profit on this Second Supplemental Indenture, or 10% of the total amount of this Second Supplemental Indenture, or $1,000, whichever is greatest. The Director of the City's Human Rights Commission ("HRC")

may also impose other sanctions against Trustee authorized in Chapter 12D.A, including declaring the Trustee to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Trustee's MBE or WBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to §12D.A.16(B).

By entering into this Second Supplemental Indenture, the Trustee acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to the City upon demand. The Trustee further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to the Trustee on any contract with the City.

The Trustee agrees to maintain records necessary for monitoring its compliance with Chapter 12D.A for a period of three years following termination of this Second Supplemental Indenture, and shall make such records available for audit and inspection by HRC or the Controller upon request.

SECTION 4.02. *Nondiscrimination; Penalties.*

(a) Trustee Shall Not Discriminate. In the performance of this Second Supplemental Indenture, the Trustee agrees not to discriminate against any employee, City employee working with such contractor or subcontractor, applicant for employment with such contractor or subcontractor, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Subcontracts. The Trustee shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from the City) and shall require all subcontractors to comply with such provisions. The Trustee's failure to comply with the obligations in this subsection shall constitute a material breach of this Second Supplemental Indenture.

(c) Nondiscrimination in Benefits. The Trustee does not as of the date of this Second Supplemental Indenture and will not during the term of this Second Supplemental Indenture, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(d) Condition to Contract. As a condition to this Second Supplemental Indenture, the Trustee shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the HRC.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Second Supplemental Indenture as though fully set forth herein. The Trustee shall comply fully with and be bound by all of the provisions that apply to this Second Supplemental Indenture under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Trustee understands that pursuant to §12B.2(h) of the San Francisco Administrative Code, a penalty of $50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Second Supplemental Indenture may be assessed against the Trustee and/or deducted from any payments due to the Trustee.

SECTION 4.03. *MacBride Principles – Northern Ireland.* Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this Second Supplemental Indenture on behalf of the Trustee acknowledges and agrees that he or she has read and understood this section.

SECTION 4.04. *Tropical Hardwood and Virgin Redwood Ban.* Pursuant to §804(b) of the San Francisco Environment Code, the City urges contractors not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

SECTION 4.05. *Drug-Free Workplace Policy.* The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Trustee agrees that any violation of this prohibition by the Trustee, its employees, agents or assigns will be deemed a material breach of this Second Supplemental Indenture.

SECTION 4.06. *Resource Conservation.* Chapter 5 of the San Francisco Environment Code ("Resource Conservation") is incorporated herein by reference. Failure by the Trustee to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

SECTION 4.07. *Compliance with Americans with Disabilities Act.* The Trustee acknowledges that, pursuant to the Americans with Disabilities Act ("ADA"), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Trustee shall provide the services specified in this Second Supplemental Indenture in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Trustee

agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Second Supplemental Indenture and further agrees that any violation of this prohibition on the part of the Trustee, its employees, agents or assigns will constitute a material breach of this Second Supplemental Indenture.

SECTION 4.08. *Sunshine Ordinance.* In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

SECTION 4.09. *Public Access to Meetings and Records.* If the Trustee receives a cumulative total per year of at least $250,000 in City funds or City-administered funds and is a nonprofit organization as defined in Chapter 12L of the San Francisco Administrative Code, Trustee shall comply with and be bound by all the applicable provisions of that Chapter. By executing this Second Supplemental Indenture, the Trustee agrees to open its meetings and records to the public in the manner set forth in §§12L.4 and 12L.5 of the Administrative Code. The Trustee further agrees to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in §12L.6 of the Administrative Code. The Trustee acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Second Supplemental Indenture. The Trustee further acknowledges that such material breach of the Second Supplemental Indenture shall be grounds for the City to terminate and/or not renew the Second Supplemental Indenture, partially or in its entirety.

SECTION 4.10. *Notification of Limitations on Contributions.* Through the execution of this Second Supplemental Indenture, the Trustee acknowledges that it is familiar with section 1.126 of the City's Campaign and Government Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services or for the furnishing of any material, supplies or equipment of the City, whenever such transaction would require approval by a City elective officer or the board on which the City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for the contract until three months after the date the contract is approved by the City elective officer or the board on which that City elective officer serves.

SECTION 4.11. *Requiring Minimum Compensation for Covered Employees.* The Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance ("MCO"), as set forth in San Francisco Administrative Code Chapter 12P ("Chapter 12P"), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Second Supplemental Indenture as though fully set forth herein. The text of the MCO is available on the web at http://www.sfgov.org/oca/lwlh.htm. Capitalized terms used in this Section and not defined in this Second Supplemental Indenture shall have the meanings assigned

to such terms in Chapter 12P. Consistent with the requirements of the MCO, the Trustee agrees to all of the following:

(a) For each hour worked by a Covered Employee during a Pay Period on work funded under the City contract during the term of this Second Supplemental Indenture, the Trustee shall provide to the Covered Employee no less than the Minimum Compensation, which includes a minimum hourly wage and compensated and uncompensated time off consistent with the requirements of the MCO. For the hourly gross compensation portion of the MCO, the Trustee shall pay $10.51 an hour through December 31, 2004. On January 1, 2005, Trustee shall increase the hourly gross compensation to by 2.5%; provided, however, that if Trustee is a Nonprofit Corporation or a public entity, it shall be required to pay the increased amount only if the City makes the finding required by Section 12P.3(a)(ii) of the San Francisco Administrative Code.

(b) The Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to the Trustee's compliance or anticipated compliance with the requirements of the MCO, for opposing any practice proscribed by the MCO, for participating in proceedings related to the MCO, or for seeking to assert or enforce any rights under the MCO by any lawful means.

(c) The Trustee understands and agrees that the failure to comply with the requirements of the MCO shall constitute a material breach by the Trustee of the terms of this Second Supplemental Indenture. The City, acting through the Contracting Department, shall determine whether such a breach has occurred.

(d) If, within 30 days after receiving written notice of a breach of this Second Supplemental Indenture for violating the MCO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City, acting through the Contracting Department, shall have the right to pursue the following rights or remedies and any rights or remedies available under applicable law:

(1) The right to charge the Trustee an amount equal to the difference between the Minimum Compensation and any compensation actually provided to a Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law;

(2) The right to set off all or any portion of the amount described in Subsection (d)(1) of this Section against amounts due to Trustee under this Second Supplemental Indenture;

(3) The right to terminate this Second Supplemental Indenture in whole or in part;

(4) In the event of a breach by the Trustee of the covenant referred to in Subsection (b) of this Section, the right to seek reinstatement of the employee or to obtain other appropriate equitable relief; and

(5) The right to bar the Trustee from entering into future contracts with the City for three years.

Each of the rights provided in this Subsection (d) shall be exercisable individually or in combination with any other rights or remedies available to the City. Any amounts realized by the City pursuant to this subsection shall be paid to the Covered Employee who failed to receive the required Minimum Compensation.

(e) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(f) The Trustee shall keep itself informed of the current requirements of the MCO, including increases to the hourly gross compensation due Covered Employees under the MCO, and shall provide prompt written notice to all Covered Employees of any increases in compensation, as well as any written communications received by the Trustee from the City, which communications are marked to indicate that they are to be distributed to Covered Employees.

(g) The Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the MCO, including reports on subcontractors.

(h) The Trustee shall provide the City with access to pertinent records after receiving a written request from the City to do so and being provided at least five (5) business days to respond.

(i) The City may conduct random audits of the Trustee. Random audits shall be (i) noticed in advance in writing; (ii) limited to ascertaining whether Covered Employees are paid at least the minimum compensation required by the MCO; (iii) accomplished through an examination of pertinent records at a mutually agreed upon time and location within ten days of the written notice; and (iv) limited to one audit of the Trustee every two years for the duration of this Second Supplemental Indenture. Nothing in this Second Supplemental Indenture is intended to preclude the City from investigating any report of an alleged violation of the MCO.

(j) Any subcontract entered into by The Trustee shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. A subcontract means an agreement between the Trustee and a third party which requires the third party to perform all or a portion of the services covered by this Second Supplemental Indenture. The Trustee shall notify the Department of Administrative Services when it enters into such a subcontract and shall certify to the Department of Administrative Services that it has notified the subcontractor of the obligations under the MCO and has imposed the requirements of the MCO on the subcontractor through the provisions of the subcontract. It is the Trustee's obligation to ensure that any subcontractors of any tier under this Second Supplemental Indenture comply with the requirements of the MCO. If any subcontractor under this Second Supplemental Indenture fails to comply, the City may pursue any of the remedies set forth in this Section against the Trustee.

(k) Each Covered Employee is a third-party beneficiary with respect to the requirements of subsections (a) and (b) of this Section, and may pursue the following remedies in

the event of a breach by the Trustee of subsections (a) and (b), but only after the Covered Employee has provided the notice, participated in the administrative review hearing, and waited the 21-day period required by the MCO. The Trustee understands and agrees that if the Covered Employee prevails in such action, the Covered Employee may be awarded: (1) an amount equal to the difference between the Minimum Compensation and any compensation actually provided to the Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law; (2) in the event of a breach by the Trustee of subsections (a) or (b), the right to seek reinstatement or to obtain other appropriate equitable relief; and (3) in the event that the Covered Employee is the prevailing party in any legal action or proceeding against the Trustee arising from this Second Supplemental Indenture, the right to obtain all costs and expenses, including reasonable attorney's fees and disbursements, incurred by the Covered Employee. The Trustee also understands that the MCO provides that if the Trustee prevails in any such action, the Trustee may be awarded costs and expenses, including reasonable attorney's fees and disbursements, from the Covered Employee if the court determines that the Covered Employee's action was frivolous, vexatious or otherwise an act of bad faith.

(l) If the Trustee is exempt from the MCO when this Second Supplemental Indenture is executed because the cumulative amount of agreements with this department for the fiscal year is less than $25,000 ($50,000 for nonprofits), but the Trustee later enters into an agreement or agreements that cause contractor to exceed that amount in a fiscal year, the Trustee shall thereafter be required to comply with the MCO under this Second Supplemental Indenture. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and this department to exceed $25,000 ($50,000 for nonprofits) in the fiscal year.

SECTION 4.12. *Requiring Health Benefits for Covered Employees.* Unless exempt, the Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance ("HCAO"), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Second Supplemental Indenture as though fully set forth. The text of the HCAO is available on the web at http://www.sfgov.org/oca/lwlh.htm. Capitalized terms used in this Section and not defined in this agreement shall have the meanings assigned to such terms in Chapter 12Q.

(a) For each Covered Employee, the Trustee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Trustee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission..

(b) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with part (a) above.

(c) The Trustee's failure to comply with the HCAO shall constitute a material breach of this agreement. The City shall notify the Trustee if such a breach has occurred. If, within 30 days after receiving the City's written notice of a breach of this Second Supplemental Indenture

for violating the HCAO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(d) Any Subcontract entered into by the Trustee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Trustee shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Trustee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the Trustee based on the Subcontractor's failure to comply, provided that the City has first provided the Trustee with notice and an opportunity to obtain a cure of the violation.

(e) The Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(g) The Trustee shall keep itself informed of the current requirements of the HCAO.

(h) The Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(i) The Trustee shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least five business days to respond.

(j) The City may conduct random audits of the Trustee to ascertain its compliance with HCAO. The Trustee agrees to cooperate with the City when it conducts such audits.

(k) If the Trustee is exempt from the HCAO when this Second Supplemental Indenture is executed because its amount is less than $25,000 ($50,000 for nonprofits), but the Trustee later enters into an agreement or agreements that cause the Trustee's aggregate amount of all agreements with the City to reach $75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to be equal to or greater than $75,000 in the fiscal year.

SECTION 4.13. *Prohibition on Political Activity with City Funds.* In accordance with San Francisco Administrative Code Chapter 12.G, the Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Second Supplemental Indenture. The Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Trustee violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Second Supplemental Indenture, and (ii) prohibit the Trustee from bidding on or receiving any new City contract for a period of two (2) years.

SECTION 4.14. *Conflicts of Interest.* Through its execution of this Second Supplemental Indenture, the Trustee acknowledges that it is familiar with the provisions of section 15.103 of the City's Charter, Article III, Chapter of City's Campaign and Governmental Conduct Code, as sections 87100 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provision and agrees that if it becomes aware of any such fact during the term of this Second Supplemental Indenture it shall immediately notify the City.

SECTION 4.15. *Earned Income Credit ("EIC") Forms.* Administrative Code section 12O requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found.

(a) The Contractor shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Second Supplemental Indenture becomes effective (unless the Contractor has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Contractor; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Second Supplemental Indenture.

(b) Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Contractor of the terms of this Second Supplemental Indenture. If, within thirty days after the Contractor receives written notice of such a breach, the Contractor fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Contractor fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Second Supplemental Indenture or under applicable law.

(c) Any Subcontract entered into by the Contractor shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this section.

(d) Capitalized terms used in this Section and not defined in this Second Supplemental Indenture shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

ARTICLE V

SECTION 5.01. *Continuing Disclosure.* The Commission will comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be executed by the Commission in substantially the form approved by the Final Resolution and dated the date of issuance and delivery of the Series 2004 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Any Holder or Beneficial Owner of the Series 2004 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Commission to comply with its obligations under this Section. Noncompliance with this Section shall not be considered an "Event of Default" and shall not result in acceleration of the Series 2004 Bonds, and the sole remedy under the Continuing Disclosure Certificate (or this Indenture) in the event of any failure of the Commission to comply with the Continuing Disclosure Certificate shall be an action to compel performance. For the purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2004 Bonds (including persons holding Series 2004 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2004 Bonds for federal income tax purposes.

No Holder or Beneficial Owner of Series 2004 Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Commission satisfactory written evidence of their status as such, and a written notice of and request to cure such failure and the Commission shall have refused to comply therewith within a reasonable time.

SECTION 5.02. *Effective Date of Second Supplemental Indenture.* This Second Supplemental Indenture shall take effect upon its execution and delivery.

SECTION 5.03. *Indenture to Remain in Effect.* Except as provided in this Second Supplemental Indenture, the Indenture shall remain in full force and effect.

SECTION 5.04. *Execution in Counterparts.* This Second Supplemental Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Second Supplemental Indenture by their officers thereunto duly authorized as of the day and year first written above.

PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

_____
President

ATTEST:

_____
Secretary

[_____], as Trustee

_____
Authorized Officer

(FORM OF SERIES 2004 BOND)

Unless this Series 2004 Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Commission or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. ____ $_____

PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
REFUNDING REVENUE BONDS
SERIES 2004

Interest Rate	Maturity Date	Dated Date	Cusip
	July 1, ____	Date of Delivery	

PRINCIPAL AMOUNT:
REGISTERED OWNER: CEDE & CO.

The PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO (hereinafter sometimes called the "Commission") a public body, corporate and politic, duly organized and existing under the Constitution and statutes of the State of California and the Charter of the City and County of San Francisco (the "Charter"), for value received, hereby promises to pay (but solely out of the funds hereinafter mentioned) to the registered owner hereof as shown above or registered assigns (herein sometimes referred to as the "Owner" or "Holder"), subject to the right of prior redemption hereinafter mentioned, the Principal Amount specified above, on the maturity date specified above, and to pay such Owner on each January 1 and July 1 of each year commencing on January 1, 2005 (each, a "Series 2004 Interest Payment Date") by check or draft mailed by the Trustee hereinafter referred to on the Series 2004 Interest Payment Date via first-class mail to such Owner at such Owner's address shown on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Series 2004 Interest Payment Date (the "Series 2004 Record Date"), or by federal wire transfer to an account in the United States designated by such Owner of Bonds in the aggregate Principal Amount of $1,000,000 or more, upon provision of a written notice received by the Trustee prior to the applicable Series 2004 Record Date, interest on such Principal Amount from the Series 2004 Interest Payment Date immediately preceding the date of authentication hereof (unless (i) the date of authentication hereof is prior to the first regular

Series 2004 Record Date in which event from the dated date specified above, or (ii) the date of authentication hereof is a Series 2004 Interest Payment Date, in which event from that Series 2004 Interest Payment Date, or (iii) the date of authentication hereof is after a regular Series 2004 Record Date but before the following Series 2004 Interest Payment Date, in which event it shall bear interest from such Series 2004 Interest Payment Date) until the Principal Amount hereof shall have been paid or provided for in accordance with the Indenture hereinafter referred to, at the interest rate per annum set forth above payable semiannually on each Series 2004 Interest Payment Date. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Principal Amount of and redemption premiums, if any, and interest on the Series 2004 Bonds shall be paid in lawful money of the United States of America. The Principal Amount of and redemption premiums, if any, on the Series 2004 Bonds and payments of interest due at maturity or earlier redemption of the Series 2004 Bonds, shall be payable upon the surrender thereof at the corporate trust office (the "Corporate Trust Office") of [_____], as trustee (the "Trustee"), in [_____], California. All capitalized terms which are used herein, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Indenture (as hereinafter defined).

The Bonds (as defined in the Indenture hereinafter referred to) are special, limited obligations of the Commission, and are payable as to Principal Amount, redemption premium, if any, and interest, out of the Net Revenues, and not out of any other funds or moneys of the Commission not pledged thereto, as further provided in the Indenture. No Holder of the Bonds shall have the right to compel any exercise of the taxing power of the Commission, the City, the State of California or any political subdivision thereof to pay the Principal Amount of or the redemption premium, if any, or interest on the Bonds. This Bond is not a lien, charge or liability, as to either the Principal Amount or interest, against the State of California or any political subdivision thereof or against the Commission, the City or the Board of Supervisors of the City, or against the property or funds of any of the foregoing, except to the extent of the pledge of Net Revenue, as provided by the Indenture.

This Bond is one of a duly authorized issue of Bonds of the Commission designated "Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2004" (herein called the "Series 2004 Bonds"), in an aggregate principal amount of $_____, all of like tenor and date (except for bond numbers, interest rates, amounts and maturity) and all of which have been issued pursuant to and in full conformity with the Constitution and laws of the State of California and the Charter. The Bonds are authorized by and issued pursuant to certain resolutions duly adopted by the City and the Commission and under the Indenture of Trust, dated as of July 1, 2004, as amended and supplemented by the First Supplement to Indenture of Trust, dated as of June 1, 1994 and the Second Supplement to Indenture of Trust, dated as of July 1, 2004 (together, the "Indenture"), each by and between the Commission and the Trustee, a copy of which is on file with the Secretary of the Commission and the Trustee. This Bond will be secured on a parity with any other Outstanding Bonds hereafter issued in accordance with the Indenture.

All of the Bonds are equally secured in accordance with the terms of the Indenture, reference to which is hereby made for a specific description of the security provided for said Bonds, for the nature, extent and manner of enforcement of such security and for the covenants and agreements made for the benefit of the Holders of the Bonds. By the acceptance of this

Bond the Owner hereof consents to all of the terms, conditions and provisions of the Indenture. All of the provisions of the Indenture are hereby incorporated by reference into this Bond as if set forth in full herein, and any inconsistency between the provisions of this Bond and the Indenture shall be resolved in favor of the Indenture. In the manner provided in the Indenture, said Indenture and the rights and obligations of the Commission and of the Holders of Bonds may (with certain exceptions as stated in said Indenture) be amended or supplemented with the consent of the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of Outstanding Bonds of all Series affected by such amendment, unless such amendment is for the purpose of, among other things, curing ambiguities or formal defects or omissions, correcting or supplementing any provision which may be inconsistent with any other provision or to make any other change or addition which shall not have a material adverse effect on the interests of the Holders, in which case no Bondholders' consent is required.

This Bond is issued in fully registered form in the denomination of $5,000 or any integral multiple thereof and is negotiable upon proper transfer of registration. This Bond is transferable by the Owner hereof or by his duly authorized attorney, at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture, upon surrender and cancellation of this Bond. Upon such transfer, a new Series 2004 Bond of any authorized denomination or denominations for the same aggregate principal amount and maturity of the same issue will be issued to the transferee in exchange therefor. This Bond may also be exchanged for a like aggregate principal amount of Series 2004 Bonds of other authorized denominations of the same maturity and interest rate, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture, upon surrender and cancellation of this Bond.

The Commission and the Trustee shall not be required to issue, register the transfer of, or exchange (i) any Series 2004 Bond during the period beginning on the fifteenth day of the month preceding each Series 2004 Interest Payment Date and ending on such Series 2004 Interest Payment Date, during the fifteen (15) days preceding the selection of Series 2004 Bonds for redemption, on any date on which notice of redemption is scheduled to be mailed or on any redemption date, or (ii) any Series 2004 Bond selected for redemption.

The Commission and the Trustee may treat the Owner hereof as the absolute Owner hereof for all purposes, and the Commission and the Trustee shall not be affected by any notice to the contrary.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

The Commission by execution of this Bond hereby certifies that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California and the Charter, and that this Bond, together with all other indebtedness of the Commission pertaining to the Port Area, is within every debt and other limit prescribed by the Constitution and statutes of the State of California and said

Charter.

IN WITNESS WHEREOF, the PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO has caused this Bond to be signed on its behalf by the facsimile signature of its President and the seal of said Commission to be reproduced hereon, and the Board of Supervisors of the CITY AND COUNTY OF SAN FRANCISCO has caused this Bond to be signed by the facsimile signature of its Treasurer, all as of the Dated Date set forth above.

By:_____
President of the Port Commission of the
City and County of San Francisco

(SEAL)

By:_____
Treasurer
of the City and County of San Francisco

(FORM OF CERTIFICATE OF AUTHENTICATION OF BONDS)

This is one of the Bonds described in the within mentioned Indenture.

Date of Authentication: _____, 2004

[_____], as Trustee

By:_____
Authorized Signatory

* * * * *

(FORM OF ASSIGNMENT OF BONDS)

For value received _____ hereby sells, assigns and transfers unto _____

_____

the within-mentioned Bond and hereby irrevocably constitutes and appoints _____, attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

NOTE: The signature(s) on this Bond must correspond with the name(s) as written on the face of the within Registered Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____, _____

Signature Guaranteed By:

_____

NOTE: Signature must be guaranteed by an eligible guarantor institution.

ATTACHMENT 5

ESCROW AGREEMENT

ATTACHMENT 5

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of July 1, 2004, by and between the PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO (the "Commission"), duly constituted and established under Sections 4.114 and B3.581 *et seq.* of the Charter of the City and County of San Francisco (the "Charter") and UNION BANK, as Escrow Trustee (the "Escrow Trustee"),

WITNESSETH:

WHEREAS, the Commission has previously issued $53,610,000 aggregate principal amount of Port Commission of the City and County of San Francisco Revenue Refunding Bonds, Series 1994 (the "Bonds"), of which $23,175,000 aggregate principal amount will be outstanding as of the date of the issuance of the Series 2004 Bonds (defined below), pursuant to an Indenture of Trust, dated as of June 1, 1994 (the "Master Indenture"), by and between the Commission and the Trustee, as amended and supplemented by that certain First Supplement to Indenture of Trust, dated as of June 1, 1994 (the "First Supplemental Indenture") by and between the Commission and Union Bank, as Trustee (the Master Indenture, as so supplemented and amended, being hereinafter referred to as the "1994 Indenture"); and

WHEREAS, under Section 9.111 of the Charter, Article VI ("Article VI") of the City and County of San Francisco Municipal Code (the "Municipal Code") and the procedures provided for in the Revenue Bond Law of 1941 (Article 6 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 54300) as it read, including amendments, on June 5, 1984, except as amended in the Municipal Code (the "Bond Law"), whenever the public interest and necessity so require, the Commission may, acting under Article VI of the Municipal Code, authorize the issuance of refunding bonds under the procedures provided for in the Bond Law in order to refund outstanding revenue bonds; and

WHEREAS, the Commission has authorized the issuance of a series of refunding bonds to be designated as "Refunding Revenue Bonds, Series 2004" (the "Series 2004 Bonds"), which will be issued under and in accordance with the Charter, Article VI of the Municipal Code and the procedures provided for in the Bond Law and pursuant to the terms and conditions set forth in the Master Indenture, as amended and supplemented by that certain Second Supplement to Indenture of Trust, dated as of July 1, 2004 (the Master Indenture, as so amended and supplemented, being hereinafter referred to as the "2004 Indenture") by and between the Commission and the Trustee, for the purpose of refunding all of the outstanding Bonds;

WHEREAS, the 1994 Indenture provides that if payment of the Bonds has been provided for by the deposit with the Escrow Trustee, irrevocably in trust for the Holders of the Bonds, of moneys, noncallable Governmental Obligations (as defined in the Master Indenture), noncallable Government Certificates (as defined in the Master Indenture) or certain prerefunded municipal obligations described in the Master Indenture, or any combination thereof, in an amount sufficient and available without reinvestment to pay when due, and solely for the purpose of

paying, the Principal Amount, whether at maturity or upon fixed redemption dates, or purchase price of and premium, if any, and interest on the Bonds, upon simultaneous direction, expressed to be irrevocable, to the Escrow Trustee to give notice of redemption and to notify all Owners of the Bonds that the deposit required to be made by the 1994 Indenture has been made and that the Bonds are deemed to be paid in accordance with the 1994 Indenture and stating the applicable maturity date or redemption date and redemption price, and if all other sums payable by the Commission under the 1994 Indenture with respect to the Bonds shall be paid or provided for, and upon compliance with certain other conditions contained in the 1994 Indenture and except as provided in the 1994 Indenture, upon written request of the Commission (evidenced by a certificate of the Commission, filed with the Escrow Trustee, signifying the intention of the Commission to discharge the Bonds), then the Bonds shall no longer be deemed Outstanding under the 1994 Indenture, and the pledge, lien, and security interests granted by the 1994 Indenture shall cease with respect to such Bonds; and

WHEREAS, on the date hereof, the Commission has made the deposit of moneys and Government Obligations required by the 1994 Indenture as described in the preceding paragraph;

WHEREAS, the Commission now intends to issue its Series 2004 Bonds for the purpose, inter alia, of providing funds, along with other funds held in the funds and accounts under the 1994 Indenture, in an amount sufficient to assure the timely payment, directly or indirectly, of the principal of and interest and redemption premium on the Bonds to and including their optional redemption on _____, 2004 at a redemption price of 102% of the principal amount thereof;

WHEREAS, the Commission has taken action to cause to be delivered to the Escrow Trustee certain securities and investments (the "Escrow Securities") consisting of the Government Obligations listed in Schedule 1 hereto in a total amount which has been calculated by Siebert Brandford Shank & Co., LLC and Backstrom McCarley Berry & Co., LLC (the "Underwriters") and verified by [VERIFICATION AGENT] to be sufficient to pay when due all principal of and interest and redemption premium on the Bonds as set forth herein;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants herein set forth, the parties hereto agree as follows:

1. The Escrow Trustee hereby acknowledges receipt of true and correct copies of the 1994 Indenture. The Escrow Trustee further acknowledges that reference herein to or citation herein of any provision of such document shall be deemed to incorporate the same as part hereof in the same manner and with the same effect as if they were fully set forth herein.

2. The Escrow Trustee acknowledges receipt from the Commission of its written request in the form attached hereto as Exhibit A that the Escrow Trustee forthwith execute and deliver proper instruments acknowledging satisfaction and discharge of the lien of the 1994 Indenture with respect to the Bonds and from the Commission of its written direction that the Escrow Trustee give notice of redemption of the Bonds as required under Section 10.02 of the 1994 Indenture, such notice of redemption to be in substantially the form attached hereto as Exhibit B.

3. There is hereby created and established with the Escrow Trustee a special and irrevocable escrow fund designated the "Escrow Fund" (the "Escrow Fund") to be held in the custody of the Escrow Trustee separate and apart from other funds of the Commission or the Escrow Trustee.

4. The Commission hereby deposits with the Escrow Trustee, in trust, into the Escrow Fund, the sum of $_____ from the proceeds of the sale of the Series 2004 Bonds and the sum of $_____ from the funds and accounts held under the 1994 Indenture. The Commission acknowledges that, taken together, such sums constitute the purchase price of the Escrow Securities, the principal of which has been calculated by the Underwriters and verified by [VERIFICATION AGENT] as providing moneys sufficient to pay the principal, interest and redemption premium as due and payable on the Bonds to and including their optional redemption on _____, 2004.

5. The Escrow Trustee hereby certifies that it has deposited $_____ to the credit of the Escrow Fund.

6. The Commission hereby directs that the amounts deposited in the Escrow Fund be invested in the Escrow Securities, which investments are hereby acknowledged by the Escrow Trustee.

7. Except as otherwise provided in this subsection, the Escrow Trustee shall not reinvest any cash portion of the Escrow Fund and shall hold such cash portion uninvested. The Escrow Trustee shall, upon written request of the Commission, reinvest any cash portion of the Escrow Fund in direct obligations of the United States of America or obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, provided that the obligations so purchased shall mature (a) on or prior to the date upon which the proceeds thereof are needed to pay the principal of and interest and redemption premium on the Bonds to and including their optional redemption on _____, 2004, and (b) in amounts, together with other moneys available therefor, sufficient to pay the principal of and interest and redemption premium on the Bonds to and including their optional redemption on _____, 2004, if the aforementioned request of the Commission is accompanied by (i) an unqualified opinion of nationally recognized bond counsel, addressed to the Commission and the Escrow Trustee, to the effect that such reinvestment will not adversely affect the exclusion from gross income from federal income tax purposes of interest payable on the Bonds and that such reinvestment complies with this Section and (ii) a report of a firm of nationally recognized independent certified public accountants, addressed to the Commission and the Escrow Trustee, to the effect that such reinvestment will not adversely affect the sufficiency of the amount of securities, investments and moneys on deposit in the Escrow Fund to pay the principal of and interest and redemption premium on the Bonds to and including their optional redemption on _____, 2004. Notwithstanding anything else in this Agreement permitted, in no case shall moneys on deposit in the Escrow Fund be invested in mutual funds or unit investment trusts.

8. The Escrow Trustee acknowledges receipt of certain calculations prepared by the Underwriters and verified by [VERIFICATION AGENT], and the Escrow Trustee and the Commission may rely upon the conclusion of such calculations to the effect that the Escrow

Securities described in Schedule 1 hereto mature and bear interest payable in such amounts and at such times as shall be necessary and sufficient to pay the principal of and interest and redemption premium on the Bonds through and including their optional redemption on _____, 2004.

9. EXCEPT AS SPECIFICALLY PROVIDED BELOW, THE ESCROW TRUSTEE MAY NOT SELL, TRANSFER, REQUEST THE REDEMPTION OF, OR OTHERWISE DISPOSE OF THE ESCROW SECURITIES INITIALLY PURCHASED HEREUNDER. Upon the written direction of the Commission, subject to the conditions and limitations herein set forth and applicable governmental rules and regulations thereto, the Escrow Trustee shall sell, transfer, and request the redemption of or otherwise dispose of the Escrow Securities initially purchased hereunder or Government Obligations later substituted for pursuant to this Section, provided that there are substituted therefor other Government Obligations as hereinafter provided. The Commission hereby covenants and agrees that it will not request the Escrow Trustee nor will the Escrow Trustee be required to take any action that would adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. The Escrow Trustee shall purchase such substituted Government Obligations with proceeds derived from the sale, transfer, redemption or other disposition of Escrow Securities initially purchased or Government Obligations later substituted therefor pursuant to this Section, and substitution may be effected, only by a simultaneous transaction and only if (i) the Verification Agent or another nationally recognized firm of independent certified public accountants shall certify to the Commission and the Escrow Trustee that (a) the Government Obligations to be substituted, together with the Government Obligations that will continue to be held in the Escrow Fund, will mature in such principal amounts and earn interest in such amounts and at such times so that sufficient moneys without reinvestment will be available from such maturing principal and interest to pay, as the same mature and become due, all principal of and interest on the Bonds that has not previously been paid, and (b) the amounts and dates of the anticipated transfers from the Escrow Fund in accordance with Section 10 hereof will not be diminished or postponed thereby, and (ii) the Commission and the Escrow Trustee shall receive an opinion of Nixon Peabody LLP or other nationally recognized bond counsel to the effect that such sale, transfer, redemption or other disposition and substitution of Government Obligations will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the Series 2004 Bonds and that such substitution complies with this Section.

10. The Escrow Trustee may consult with independent counsel, chosen by it with reasonable care, and will not be liable for action taken or not taken in good faith in reasonable reliance upon the written advice or opinion of such counsel. The Escrow Trustee shall have only the duties set forth herein or referred to in the 1994 Indenture with no liability in connection with any act or omission to act hereunder, except for its own negligence or willful misconduct or breach of this Agreement, and no liability for payments on the Bonds except from the funds herein pledged for that purpose. The provisions of the 1994 Indenture pertaining to the rights (including, without limitation, any and all rights to indemnification) and duties of the Trustee under the 1994 Indenture shall be applicable to the rights and duties of the Escrow Trustee with respect to this Agreement.

The Escrow Trustee makes no representation as to the sufficiency of the amount of cash deposited in the Escrow Fund or of any Government Obligations purchased therewith for

the payments required to be made hereunder or the validity of this Agreement with respect to the other party hereto or the accuracy of any calculations provided to it hereunder. The statements contained in the recitals to this Agreement shall be taken as statements of the Commission and the Escrow Agent is not responsible for the correctness thereof.

On _____, 2004, the Escrow Trustee is irrevocably instructed to, and shall transfer, from the matured principal of the Escrow Securities, other Government Obligations and any other available moneys (including interest income on such Escrow Securities or other Government Obligations) in the Escrow Fund to itself as Trustee that amount necessary to pay the principal of and interest and redemption premium on the Bonds on their redemption date.

11. The Escrow Trustee shall hold funds in the Escrow Fund, including the Government Obligations, irrevocably in trust for the benefit of the Holder or Holders of the Bonds until the Bonds and interest and redemption premium due thereon are paid on _____, 2004. The Holders of the Bonds shall have an express lien on such funds on deposit in the Escrow Fund until used and applied in accordance with this Agreement.

12. After all transfers to itself as Escrow Trustee for payment of the principal of and interest and redemption premium on the Bonds pursuant to Section 10, any remaining moneys and Government Obligations, together with any interest thereon, in the Escrow Fund, after payment of all fees and expenses of the Escrow Trustee, shall be transferred to the Commission; provided, that if the Escrow Securities initially purchased hereunder are substituted pursuant to Section 9 hereof, any amounts determined by the certified public accountants referred to in Section 9 to be in excess of the amount of Government Obligations and cash required to be on deposit in the Escrow Fund after such substitution shall be transferred to the Commission.

13. The Escrow Trustee shall not be liable for any loss resulting from any investment made pursuant to this Agreement in compliance with the provisions hereof. The Escrow Trustee shall not have any lien whatsoever upon any of the moneys in the Escrow Fund for the payment of fees and expenses for services rendered. No provisions in this Agreement shall require the Escrow Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of its duties hereunder.

14. This Agreement shall terminate when all transfers required to be made by the Escrow Trustee under the provisions hereof shall have been made.

15. If any one or more of the covenants or agreements provided in this Agreement on the part of the Commission or the Escrow Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severed from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement. The Commission will notify Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc. ("S&P") of any such severance.

16. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

17. The Commission agrees to pay the reasonable fees and expenses of the Escrow Trustee (including the reasonable fees and expenses of its counsel) in connection with the exercise of its duties under this Agreement and any future duties under the 1994 Indenture.

18. The Escrow Trustee may resign at any time upon thirty (30) days' written notice to the Commission. The Commission may, upon written notice to the Escrow Trustee, remove the Escrow Trustee at any time. Upon any such resignation or removal, the Commission shall appoint a successor Escrow Trustee by an instrument in writing.

Any resignation or removal of the Escrow Trustee and appointment of a successor Escrow Trustee shall become effective upon acceptance of appointment by the successor Escrow Trustee. If no successor Escrow Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of resignation or removal as aforesaid, the Escrow Trustee resigning or being removed may petition any court of competent jurisdiction for the appointment of a successor Escrow Trustee and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Escrow Trustee. Any successor Escrow Trustee appointed under this Agreement shall signify its acceptance of such appointment by executing and delivering to the Commission and to its predecessor Escrow Trustee a written acceptance thereof, and thereupon such successor Escrow Trustee, without any further act, deed or conveyance, shall become vested with all the monies, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Escrow Trustee, with like effect as if originally named Escrow Trustee herein; but, nevertheless, at the request of the Commission or the successor Escrow Trustee, such predecessor Escrow Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Escrow Trustee all the right, title and interest of such predecessor Escrow Trustee in and to any property held by it hereunder and shall pay over, transfer, assign and deliver to the successor Escrow Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Escrow Trustee, the Commission shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Escrow Trustee all such monies, estates, properties, rights, powers, trusts duties and obligations.

Any successor Escrow Trustee appointed under the provisions hereof in succession to the Escrow Trustee shall be a trust company or bank having corporate trust powers, having a combined capital and surplus of at least twenty-five million dollars ($25,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

19. This Agreement may be amended from time to time by written agreement of the parties hereto, either:

(a) Without the consent of the holders of the Bonds, for the following purposes:

(i) the insertion of unintentionally omitted material, or the correction of mistakes or clarification of ambiguities;

(ii) the pledging of additional security for the benefit of the holders of the Bonds;

(iii) the deposit of additional cash or securities to the Escrow Fund;

(iv) to preserve the tax-exempt status of the Bonds;

(v) in connection with the substitution of Escrow Securities or Government Obligations permitted by Section 9; or

(vi) any other amendments which S&P has confirmed will not result in the lowering or withdrawal of the rating on the Bonds;

provided that no amendment described in this subsection 19(a) shall adversely affect the interests of the holders of the Bonds; or

(b) With the consent of the holders of 100% in aggregate principal amount of the Bonds, for any other reason.

No such amendment shall be effective unless the Escrow Trustee shall have received an opinion of Nixon Peabody LLP or other nationally recognized bond counsel to the effect that such amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and that such amendment complies with this Section.

The Commission will notify S&P of any proposed amendments to this Agreement, and will provide S&P with all draft and final copies of any such amendments, at One Market Street, Steuart Street Tower, 15th Floor, San Francisco, CA 94105, Attn: Public Finance Rating Desk/Refunded Bonds.

20. This Escrow Deposit Agreement is governed by and construed in accordance with the applicable laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed by their duly authorized officers as of the date first above written.

PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

By:_____
Authorized Officer

UNION BANK, as Escrow Trustee

By: _____
Authorized Officer

Schedule 1

Type of Security	Maturity Date	Interest Rate	Par Amount

Exhibit A

DIRECTION AND REQUEST OF
THE PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
RELATING TO DEFEASANCE
OF 1994 BONDS

TO: UNION BANK, AS TRUSTEE (the "Trustee")

In accordance with the provisions of that certain Indenture of Trust, dated as of June 1, 1994 (the "Master Indenture"), by and between the Port Commission of the City and County of San Francisco (the "Commission") and the Trustee, as amended and supplemented by that certain First Supplement to Indenture of Trust, dated as of June 1, 1994 (the "First Supplemental Indenture") by and between the Commission and the Trustee (the Master Indenture, as so supplemented and amended, being hereinafter referred to as the "1994 Indenture"):

(a) It is the intention of the Commission to discharge the Port Commission of the City and County of San Francisco Revenue Refunding Bonds, Series 1994, of which $23,175,000 aggregate principal amount are outstanding as of the date hereof (the "Bonds").

(b) The undersigned hereby certifies that he/she is of the opinion that all conditions precedent to the satisfaction and discharge of the Bonds have been complied with.

(c) The Commission hereby authorizes, directs and irrevocably instructs you (i) to execute and deliver to the Commission all such instruments as may be necessary or desirable to evidence the defeasance of the Bonds, (ii) to take all action necessary to pay when due the outstanding principal of and interest and redemption premium on the Bonds in accordance with the provisions of that certain escrow agreement, dated as of July 1, 2004 (the "Escrow Agreement"), by and between the Commission and you, and in accordance with the 1994 Indenture, including the giving of notice of redemption in accordance with Section 10.02 of the 1994 Indenture at such times and in such manner as is necessary to effectuate the redemption of the Bonds on _____, 2004 and (iii) to transfer to the escrow fund established by the Escrow Agreement the sum of $_____ from the proceeds of the sale of the Series 2004 Bonds.

Dated: _____, 2004

PORT COMMISSION OF THE CITY AND
COUNTY OF SAN FRANCISCO

By: _____
Title: _____

Exhibit B

Notice of Deposit Made for Redemption

Port Commission of the City and County of San Francisco
Revenue Refunding Bonds
Series 1994

Dated June 1, 1994
*CUSIP #: see below

NOTICE IS HEREBY GIVEN, pursuant to Section 10.02 of the Indenture of Trust, dated as of June 1, 1994 (the "Master Indenture"), by and between the Port Commission of the City and County of San Francisco (the "Commission") and Union Bank, as Trustee, as amended and supplemented by that certain First Supplement to Indenture of Trust, dated as of June 1, 1994 (the "First Supplemental Indenture") by and between the Commission and the Trustee (the Master Indenture, as so supplemented and amended, being hereinafter referred to as the "1994 Indenture"), that the deposit required by Section 10.02 of the 1994 Indenture has been made, and that the Bonds listed below are deemed to be paid in accordance with the 1994 Indenture, and will be redeemed on _____, 2004 (the "Redemption Date") at a price of 102% of the principal amount thereof (the "Redemption Price") together with interest accrued thereon to the Redemption Date.

Port Commission of the City and County of San Francisco
Revenue Refunding Bonds
Series 1994

BONDS CALLED FOR REDEMPTION

Maturity (July 1)	Principal Amount	Interest Rate	CUSIP*
2005	$4,135,000	5.60%	797707CT1
2006	$4,370,000	5.70%	797707CU8
2007	$4,615,000	5.80%	797707CV6
2009	$10,055,000	5.90%	797707CX2

Payment of the Redemption Price of and interest accrued on the Bonds called for redemption will be made from the proceeds of the Commission's Refunding Revenue Bonds, Series 2004, and will become due and payable on the Redemption Date upon presentation and surrender thereof in the following manner:

If by Mail: (REGISTERED BONDS) **If by Hand or Overnight Mail:**

[TO COME]

Please call Bondholder Services at (___) ___-____ with any questions.

Bondholders presenting their bonds in person for same day payment **must** surrender their bonds) by _:00 P.M. (___) on the Redemption Date and a check will be available for pick up after _:00 P.M. (___). Checks not picked up by ___ P.M. (___) will be mailed out to the bondholder via first class mail. If payment of the Redemption Price is to be made to the registered owner of the Bond, you are not required to endorse the Bond to collect the Redemption Price.

Interest on the principal amount designated to be redeemed shall cease to accrue on and after the Redemption Date.

IMPORTANT NOTICE

Under the Interest and Dividend Tax Compliance Act of 1983 as amended by the Energy Policy Act of 1992, 30% will be withheld if tax identification number is not properly certified.

*The Trustee shall not be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness indicated in the Redemption Notice. It is included solely for convenience of the Holders.

By Union Bank, as Trustee

Date: _____, 2004

ATTACHMENT 6

BOND PURCHASE AGREEMENT

ATTACHMENT 6

$21,550,000*
PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING REVENUE BONDS, SERIES 2004

BOND PURCHASE CONTRACT

August ___, 2004

Port Commission of the
City and County of San Francisco
Port of San Francisco
Pier 1
San Francisco, CA 94111

Ladies and Gentlemen:

Siebert Brandford Shank & Co., L.L.C. and Backstrom McCarley Berry & Co., LLC (the "*Underwriters*"), offer to enter into this bond purchase contract (this "Purchase Contract") with the Port Commission of the City and County of San Francisco (the "Commission"), which will be binding upon the Commission and the Underwriters upon acceptance hereof by the Commission. This offer is made subject to the acceptance by the Commission by the execution of this Purchase Contract and its delivery to the Underwriters on or before 11:59 p.m., California time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice delivered to the Commission at any time prior to the acceptance of this Purchase Contract by the Commission.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture of Trust, dated as of June 1, 1994 (the "*Master Indenture*"), between the Port Commission and _____ (the "*Trustee*"), as successor trustee to Union Bank of California, N. A., San Francisco, California, as amended and supplemented, including that certain Second Supplement to Indenture of Trust, dated as of July 1, 2004 (the "*Second Supplement to the Indenture* "), between the Port Commission and _____, as trustee (the Master Indenture and Second Supplement to the Indenture being herein referred to collectively as the "*Indenture*").

Section 1. Purchase and Sale; Good Faith Deposit. Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriters agree to purchase from the Commission, and the Commission hereby agrees to sell and deliver to the Underwriters, all (but not less than all) of the $21,550,000 aggregate principal amount of the Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2004 (the *"Bonds"*). The Bonds shall be dated their date of delivery and shall have the maturities and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto.

* *Preliminary; subject to change*

The Bonds shall be substantially in the form described in, and shall be issued and secured under and pursuant to, the Indenture. The Bonds shall mature and shall be as otherwise described in the Official Statement. The Commission will undertake, pursuant to a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to be executed and delivered by the Commission on the Closing Date (as defined herein), to provide certain annual financial information and notices of the occurrence of certain events, if material. A form of the Continuing Disclosure Certificate is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

The purchase price for the Bonds shall be $_____, which is the principal amount of the Bonds, less an Underwriters' discount in the amount of $_____ . The Underwriters have delivered to the Commission by wire transfer $_____ (the "Good Faith Deposit"), in the amount of 1% of the par amount of the Bonds, as security for the performance by the Underwriters of their obligation to accept and pay for the Bonds at the Closing in accordance with the provisions of this Purchase Contract- in the event that the Commission accepts this offer, the Commission shall hold such amount in trust. The principal amount of the Good Faith Deposit will be credited against the purchase price of the Bonds at the Closing. In the event the Commission does not accept this offer, the Commission shall immediately return the Good Faith Deposit, without interest to the Underwriters. In the event of the Commission's failure to deliver the Bonds at the Closing, or if the Commission shall be unable to satisfy the conditions of the obligations of the Underwriters contained herein, or if the obligations of the Underwriters shall be terminated for any excused reason permitted by this Purchase Contract, the Commission shall immediately return the Good Faith Deposit, without interest, to the Underwriters. In the event that the Underwriters fail (other than for a reason permitted hereunder) to accept and pay for the Bonds at the Closing in addition to retaining all other remedies permitted by law, the Good Faith Deposit and any interest thereon shall be retained by the Commission as liquidated damages for such failure.

Section 2. Description of the Bonds. The issuance of the Bonds was approved by the Board of Port Commissioners pursuant to a resolution of the Board adopted on July 13, 2004 authorizing the issuance and sale of the Bonds (the "Resolution"), Section 9.111 of the Charter of the City, Chapter 43 of Article VI ("Article VI") of the City and County of San Francisco Municipal Code (the "Municipal Code") and the procedures provided for in the Revenue Bond Law of 1941 (Article 6 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 54300) as it read, including amendments, on June 5, 1984, except as amended in the Municipal Code (the "*Bond Law*").

The Bonds are being issued (i) to refund and redeem all $23,175,000 in aggregate principal amount of the Port Commission's outstanding Refunding Revenue Bonds, Series 1994 (the "Prior Bonds"), through the funding of an escrow fund pursuant to the Escrow Agreement (as hereinafter defined), (ii) to make a deposit into the Reserve Fund for the Bonds in the amount of the Reserve Requirement, and (iii) to pay certain costs of issuance of the Bonds.

Pursuant to the Escrow Agreement dated as of July 1, 2004 between _____, as escrow agent, and the Port Commission (the "Escrow Agreement"), the Port Commission will apply a portion of the net proceeds of the sale of the Bonds, to make an irrevocable deposit into the Escrow Fund established by the Escrow Agreement for the redemption of all of the outstanding Prior Bonds, described in the Escrow Agreement and shall cause the Prior Bonds to be redeemed on August ____, 2004 at the redemption prices set forth in the Escrow Agreement. Upon their defeasance, the Prior Bonds will no longer be deemed to be outstanding under the Indenture, except as to the right of the owners of such Prior Bonds to receive payment from the Escrow Fund.

Concurrently with the issuance of the Bonds, _____will issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") with respect to the Bonds. The Municipal Bond

Insurance Policy will unconditionally guarantee the payment of the principal of and interest on the Bonds that has become due for payment, but is unpaid by reason of nonpayment by the Commission.

Section 3. Public Offering. It shall be a condition to the obligations of the Underwriters to purchase, accept delivery of and pay for the Bonds that the entire principal amount of the Bonds be sold and delivered by the Commission to the Underwriters. The Underwriters agrees to make a bona fide public offering of all the Bonds in conformity with the rules of the Municipal Securities Rulemaking Board (*"MSRB"*), at ____% of the principal amount of the Bonds. Subsequent to the initial public offering, the public offering prices of the Bonds may change as determined by the Underwriters as deemed necessary in connection with the marketing of the Bonds.

Section 4. Delivery of Official Statement. Prior to the date hereof, the Commission has provided to the Underwriters for review a form of preliminary official statement relating to the Bonds dated July __, 2004 (including the cover page and appendices thereto, the *"Preliminary Official Statement"*), which as of its date, the Commission deemed final for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (*"Rule 15c2-12"*), except for certain information permitted to be omitted therefrom by Rule 15c2-12. By its acceptance of this offer, the Commission hereby ratifies the use and distribution by the Underwriters of the Preliminary Official Statement and the Commission has authorized the delivery of a final official statement relating to the Bonds dated the date hereof (the *"Official Statement"*) which will consist of the Preliminary Official Statement and all information previously permitted to have been omitted by Rule 15c2-12.

The Commission has deemed final the Preliminary Official Statement as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, except for information permitted to be omitted therefrom by Rule 15c2-12. The Commission hereby acknowledges that the Preliminary Official Statement has been made available to investors on the Internet at _____ (the "_____ Website"). The Commission hereby agrees to deliver or cause to be delivered to the Underwriters, two days prior to the Closing Date and at least in sufficient time to accompany any orders or confirmations that request payment from any customers, copies of the final official statement (including all information permitted to be omitted by Rule 15c2-12 and any amendments or supplements to such official statement as have been approved by the Authority, the County and the Underwriters) (the "*Official Statement*") in sufficient quantity to enable the Underwriters to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Commission hereby approves of the use and distribution by the Underwriters of the Official Statement in connection with the offer and sale of the Bonds. At the time of or prior to the Closing Date (as hereinafter defined), the Underwriters shall file a copy of the Official Statement with the Municipal Securities Rulemaking Board and with a nationally recognized securities information repository.

Section 5. The Closing. At 8:00 a.m., California time, on _____, 20__, or at such other time or on such other date as the Commission and the Underwriters may agree (the *"Closing Date"*), the Commission shall deliver, or cause to be delivered to the Underwriters through [The Depository Trust Company (*"DTC"*) in New York, New York / the F.A.S.T delivery system of The Depository Trust Company (*"DTC"*)], the Bonds in book-entry form, duly executed and authenticated. Concurrently with the delivery of the Bonds to the Underwriters, the Commission will deliver the documents hereinafter mentioned at the offices of Nixon Peabody LLP, Co-Bond Counsel, in San Francisco, California, or another place to be mutually agreed upon by the Commission and the Underwriters. The Underwriters shall accept such delivery and pay the purchase price for the Bonds set forth in Section 1 in immediately available funds to the order of the Trustee. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents, is herein called the *"Closing."* The Commission with the assistance of the Underwriters shall cause CUSIP identification numbers to be printed on the Bonds; provided that neither the failure to print such number on any Series 2004 Bond nor any error with respect thereto shall constitute

cause for a failure or refusal by the Underwriters to accept the Bonds. The Bonds shall be made available to the Trustee at least two (2) business days prior to the Closing.

Section 6. Representations, Warranties and Covenants of the Commission. The Commission represents, warrants and covenants to Underwriters as follows:

(a) Due Organization, Existence and Authority. The Commission is a municipal corporation and chartered Commission and county, duly organized and validly existing pursuant to its Charter and the Constitution and laws of the State, with full right, power, and authority to: (i) adopt the Resolution; (ii) execute and deliver the Indenture, the Escrow Agreement and this Purchase Contract; (iii) approve the Official Statement and authorize its distribution by the Underwriters; (iv) sell and deliver the Bonds to the Underwriters as provided herein and (v) carry out and consummate the other transactions contemplated by such documents.

(b) Due Authorization and Approval. The Board of Supervisors has duly adopted the Resolution in accordance with the Charter and Bond Law. The Commission has, and at the date of the Closing will have, full legal right, power and authority to enter into and this Purchase Contract; to adopt the Resolution, to observe, perform and consummate the covenants, agreements and transactions contemplated by this Purchase Contract and the Official Statement; and to issue, sell and deliver the Bonds to the Underwriters as provided herein; by all necessary official action of the Commission, the Board of Supervisors has duly adopted the Resolution prior to or concurrently with the acceptance hereof; the Resolution is in full force and effect and have not been amended, modified or rescinded; the Board of Supervisors has duly authorized and approved the execution and delivery of, and the performance by the Commission of its obligations contained in, the Bonds, this Purchase Contract, and the Board of Supervisors has duly authorized and approved the performance by the Commission of its obligations contained in the Resolution; and the Commission is in compliance in all material respects with the obligations in connection with the issuance of the Bonds on its part contained in the Resolution.

(c) Accuracy and Completeness of the Official Statement. The information with respect to the Commission, its activities and the project as described in the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the date of the Closing will be, true and correct in all material respects, contains and will contain no misstatement of any material fact and did not and will not omit any statement and information that is necessary to make the statements and information with respect to the Commission contained therein, in light of the circumstances under which such statements were made, not misleading in any material respect.

(d) Official Statement. If, at any time prior to the date twenty-five (25) days following the later of (a) the Closing or (b) the date the Underwriters no longer retain, directly or as member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public (the later of (a) or (b) being the *"End of the Underwriting Period"*), an event occurs or facts or conditions become known of which the Commission has knowledge, which in the reasonable opinion of Co-Bond Counsel or the General Counsel to the Port might or would cause the information in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Commission will notify the Underwriters, and, if in the reasonable opinion of the Underwriters such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Commission will amend or supplement the Official Statement in a form and in a manner reasonably approved by the Underwriters, provided all expenses incurred in connection with preparing an amendment or supplement to the Official Statement will be paid by the Commission.

As used herein and for the purposes of the foregoing, the term *"End of the Underwriting Period"* for the Bonds shall mean the Closing, unless the Commission shall have been notified in writing to the contrary by the Underwriters on or prior to the Closing. For the purposes of this subsection the Commission will furnish such information as the Underwriters may from time to time reasonably request in writing prior to the End of the Underwriting Period; and

(e) No Material Change in Finances. At the Closing Date, there shall not have been any material adverse changes in the financial condition of the Commission since June 30, 2003 which are not otherwise described in the Official Statement.

(f) No Breach or Default. As of the time of acceptance hereof and as of the Closing Date and except as otherwise disclosed in the Official Statement, neither the execution nor the delivery by the Commission of the Indenture, or this Purchase Contract, the adoption of the Resolution, or the compliance by the Commission with such documents or authorizations, or the consummation of the transactions contemplated by such documents or the Official Statement: (i) conflicts with or constitutes a material breach of or default under any applicable law or administrative regulation of the State or the United States, or any other statute or administrative rule or regulation, judgment, decree, order, license, permit, agreement or instrument to which the Commission is subject which breach, default or conflict would have a material adverse effect on the ability of the Commission to repay the Bonds or have material adverse effect on the ability of the Commission to perform its obligations under the Indenture, or this Purchase Contract.

(g) No Other Bond Issues or Debt. Between the time of acceptance hereof and the Closing Date, the Commission will not, without the prior notice to the Underwriters, issue any bonds or securities or incur any other indebtedness secured by the Revenues of the Port.

(h) No Litigation. As of the date hereof and as of the Closing Date, and except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity before any court or public body, pending with service of process having been accomplished, or, to the knowledge of the Commission, threatened against the Commission: (i) in any way affecting the corporate existence of the boundaries of the Commission or in any way challenging the respective powers of the several offices or the entitlement of the officials of the Commission to such offices; or (ii) seeking to restrain or enjoin the issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of Net Revenue pledged or to be pledged to pay the interest on and the principal of the Bonds, or in any way concerning the validity or enforceability of the Bonds, the Indenture, the Escrow Agreement or the Bond Purchase Contract, or contesting the validity or enforceability of the Resolution, or contesting the powers of the Commission or its authority with respect to the Bonds, the Indenture or the Resolution, or contesting the power of the Commission to collect the Revenue, or to issue the Bonds; or (iii) in which a final adverse decision would materially and adversely affect the operations of the Port or the consummation of the transactions contemplated by the Resolution; or (iv) contesting in any way the completeness, accuracy or fairness of the Official Statement.

(i) Further Cooperation; Blue Sky. The Commission will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate; *provided, however*, that the Commission will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

Section 7. Representations, Covenants and Agreements of the Underwriters. The Underwriters represents, covenants and agrees with the Commission that:

(a) The Underwriters have been duly authorized to enter into this Purchase Contract.

(b) The Underwriters shall comply with the San Francisco Business Tax Ordinance and shall, if not otherwise exempt from such ordinance, provide to the Commission a Business Tax Registration Certificate on or prior to the date hereof.

(c) The Underwriters shall comply with Chapter 12B of the San Francisco Administrative Code, entitled "Nondiscrimination in Contracts," which is incorporated herein by this reference.

Section 8. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the Commission of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The obligations of the Underwriters under this Purchase Contract are and shall be subject to the following conditions:

(a) Bring-Down Representation. The representations and warranties of the Commission contained herein shall be true, accurate and correct in all material respects at the date hereof and on the date of the Closing, as if made on the date of the Closing.

(b) Executed Documents and Performance Thereunder. At the time of the Closing (i) the Indenture, this Purchase Contract and the Official Statement shall be in full force and effect, and shall not have been amended, modified or supplemented except with the consent of the Underwriters (which consent will not be unreasonably withheld); and (ii) the Commission shall perform or have performed all of their obligations required under or specified in this Purchase Contract, the Official Statement, the Indenture, to be performed prior to the Closing.

(c) No Default. At the time of the Closing, no default shall have occurred or be existing under the Indenture or this Purchase Contract.

(d) Termination Events. In recognition of the desire of the Commission and the Underwriters to effect a successful public offering of the Bonds, and in view of the potential adverse impact of any of the following events on such a public offering, the Underwriters may terminate this Purchase Contract by notification in writing to the Commission if at any time on or prior to the Closing any of the following occurs, provided, however, that in the event the Commission and the Underwriters disagree as to the effect of the occurrence of such event on the ability of the Underwriters to market the Bonds, this Purchase Contract may only be terminable after the parties have negotiated in good faith to determine an alternate time, place and manner which would permit the Underwriters to successfully market the Bonds:

(i) any event shall occur which, in the reasonable opinion of the Underwriters and its counsels, makes untrue any statement or results in an omission to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriters, has been materially adversely affected subsequent to the date of this Purchase Contract by an amendment to the Constitution of the United States or the Constitution of the State or by any legislation in or by the Congress of the United States or

by the legislature of the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority or the occurrence of any other comparable legislative or regulatory event affecting the federal or State tax status of the interest on bonds or obligations of the general character of the Bonds (including the Bonds); or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Bonds or adversely impacts the availability of Net Revenue to make payments on the Bonds; or

(iv) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture need be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended and as then in effect; or

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in the United States in securities generally by any governmental authority or by any national securities exchange; or

(vii) a general banking moratorium shall have been declared by federal, State or State of New York authorities; or

(viii) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak or escalation of hostilities or engagement in a police action or a national or international calamity or crisis, financial or otherwise, the effect of such outbreak, escalation, engagement, calamity or crisis on the financial markets of the United States, being such as, in the reasonable opinion of the Underwriters, would affect the ability of the Underwriters to market the Bonds; or

(ix) any rating of the Bonds shall have been downgraded or withdrawn by a national rating service subsequent to the date of this Purchase Contract, which downgrade or

withdrawal, in the Underwriters' reasonable opinion, materially adversely affects the market price of the Bonds; or

(x) a decision by a federal or State court or legislative action which causes, or in the reasonable opinion of the Underwriters would cause, either a material reduction in the Net Revenue which would materially or adversely affect the Commission's ability to repay the Bonds.

(xi) There shall be (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts or by federal or state agencies, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (ii) any legislation enacted by the Congress of the United States or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date which is on or before the Closing Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Closing Date) or (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case would, prohibit (or have the retroactive effect of prohibiting, if enacted adopted, passed or finalized) the Underwriters from underwriting the Bonds as provided herein or selling the Bonds or beneficial ownership interests therein to the public.

The termination of this Purchase Contract pursuant to this Section 8(d) by the Underwriters with respect to the Bonds shall not prohibit the Commission from selling such Bonds to any other Underwriters.

(e) Closing Documents. At or prior to the Closing, the Underwriters shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents, in each case satisfactory in form and substance to the Underwriters:

(1) Approving Authorizations. Certified copies of the Resolution.

(2) Bond Documents. Executed originals of the Indenture, the Escrow Agreement, the Continuing Disclosure Certificate and this Purchase Contract

(3) Final Opinion. An approving opinion or opinions of Co-Bond Counsel, dated the Closing Date, and substantially in the form attached to the Official Statement, and a letter of such counsel addressed to the Underwriters to the effect that such opinion may be relied upon by the Underwriters to the same extent as if it had been addressed to each of them.

(4) Defeasance Opinion. An opinion or opinions of Co-Bond Counsel, dated the Closing Date, and substantially in the form attached to the Official Statement, and a letter of such counsel addressed to the Underwriters to the effect that such opinion may be relied upon by the Underwriters to the same extent as if it had been addressed to each of them.

(5) Supplemental Opinion. A supplemental opinion or opinions of Co-Bond Counsel addressed to the Commission and the Underwriters, dated the Closing Date, to the following effect:

(i) The statements contained in the Official Statement under the captions "TERMS OF THE BOND," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "TAX MATTERS," APPENDIX D-"SUMMARY OF LEGAL DOCUMENTS," and APPENDIX H–"PROPOSED FORM OF OPINION OF CO-BOND COUNSEL," insofar as such statements purport to summarize certain provisions of the Law, the Bonds, the Indenture, and the opinion of Co-Bond Counsel with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes are accurate in all material respects.

(ii) The Bonds are not subject to registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(iii) This Purchase Contract, the Indenture, and the Escrow Agreement have each been duly authorized, executed and delivered by the Commission and constitute the valid, legal and binding agreements of the Commission, each enforceable in accordance with its respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws affecting enforcement of creditors' rights, by the application of equitable principles if equitable remedies are sought and limitations on the enforcement of legal remedies against public agencies in the State.

(5) Certificate of the Commission. A certificate of the Commission dated the Closing Date, signed on behalf of the Commission by an authorized officer of the Commission, to the effect that:

(i) The representations and warranties of the Commission contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date and the Commission has complied with all of the terms and conditions of this Purchase Contract required to be complied with by the Commission at or prior to the Closing Date.

(ii) No event affecting the Commission has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(6) Verification Report of _____;

(7) Certificate of the Trustee. A certificate of the Trustee, dated the Closing Date, to the effect that:

(i) The Trustee is a [national banking] association organized and existing under the laws of the United States of America and has full power and is qualified to accept and comply with the terms of the Indenture and the Escrow Agreement, and to perform its obligations stated therein, respectively.

(ii) The Trustee has accepted the duties and obligations imposed on it by the Indenture.

(iii) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the consummation by the Trustee of the transactions contemplated by the Indenture to be undertaken by the Trustee.

(iv) Compliance with the terms of the Indenture will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or, to the best knowledge of the Trustee, after reasonable investigation, any law, rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any federal or state securities or Blue Sky laws or regulations).

(v) To the knowledge of the Trustee after due inquiry, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body served on or threatened against or affecting the existence of the Trustee, or in any way contesting or affecting the validity or enforceability of the Indenture or the Bonds, or contesting the powers of the Trustee or its authority to enter into and perform its obligations under the Indenture or the Bonds, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Bonds, the Indenture or the Loan Agreement.

(8) Trustee's Counsel Opinion. An opinion of counsel to the Trustee addressed to the Commission and the Underwriters, dated the Closing Date, to the effect that:

(i) The Trustee is a [national banking association] with trust powers, duly organized and validly existing and in good standing under the laws of the United States of America, having the legal authority to exercise trust powers in the State.

(ii) The Trustee has full legal power and adequate corporate authority to accept the duties and obligations imposed on it by the Indenture and the Escrow Agreement and to authenticate the Bonds and the full legal power and authority to own its properties and to carry on its business.

(iii) The Bonds have been duly authenticated by the Trustee.

(iv) No consent, approval, authorization or order of any court, regulatory authority or governmental body is required for the valid authorization, execution and delivery of the Indenture and the authentication of the Bonds or the consummation by the Trustee of the transactions contemplated in the Indenture except such as have been obtained and except such as may be required under the state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriters.

(v) The acceptance of its duties under the Indenture and the authentication of the Bonds by the Trustee and performance by the Trustee of its obligations thereunder will not conflict with or result in a breach of any of the terms, conditions or provisions of its Articles of Association or Bylaws or any other agreement or instrument to which the Trustee is a party or by which it is bound or any other existing law, regulation, court order or consent decree to which the Trustee is subject or constitute a default thereunder.

(vi) There is no action, suit, proceeding inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Trustee affecting the existence of the Trustee or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the authentication of the Bonds by the Trustee, or contesting the powers of the Trustee or its authority to perform its obligations under any of the Indenture, the Escrow Agreement or the Bonds.

(9) Opinion of Co-Bond Counsel. An opinion or opinions of Nixon Peabody LLP and Elizabeth C. Green, Esq., Co-Bond Counsel, San Francisco, California, dated the Closing Date, addressed to the Underwriters, to the effect that (i) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and that the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended and that (ii) based upon their participation in the conferences, discussions and negotiations pertaining to the preparation of the Official Statement as Co-Bond Counsel, and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that, as of the Closing Date, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein and the information included in Appendices thereto, as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(13) Tax Certificate. A Tax Certificate of the Commission, dated the Closing Date, in form satisfactory to Co-Bond Counsel.

(14) California Debt and Investment Advisory Commission Filings. Copies of the Report of Proposed Debt Issuance and Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code.

(15) Continuing Disclosure Certificate. To assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5), the Commission will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. The Underwriters shall receive an executed copy of the Continuing Disclosure Certificate or prior to the Closing.

(16) Bond Insurance Policy. A copy of the Bond Insurance Policy issued by the Insurer with respect to the Bonds.

(17) Opinion of Counsel to Insurer. An opinion of counsel to the Insurer in form and substance satisfactory to Co-Bond Counsel and Co-Bond Counsel.

(18) Additional Documents. Such additional certificates, instruments and other documents as Co-Bond Counsel, the Underwriters or Co-Bond Counsel may reasonably deems necessary to evidence the truth and accuracy as of the time of the Closing of the representations of the Commission and the due performance or satisfaction by the Commission at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Commission.

If the Commission shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and the Underwriters and the Commission shall not be under further obligation hereunder, except as further set forth in Section 10 hereof.

Section 9. Expenses.

(a) Commission. The Commission shall pay or cause to be paid (but solely from the proceeds of the Bonds and not otherwise) the expenses incident to the performance of the obligations of the Commission hereunder, including but not limited to: (1) the cost of printing of the Preliminary Official Statement and the final Official Statement in reasonable quantities and all other documents prepared in connection with the transactions contemplated hereby; (2) the fees and disbursements of the Trustee and counsel to the Trustee in connection with the issuance of the Bonds; (3) the fees and disbursements of Co-Bond Counsel and of CSG Advisors Incorporated , as Financial Advisors to the Commission, and any other experts or consultants retained by the Commission in connection with the transactions contemplated hereby; (4) the costs related to obtaining ratings, including the costs of such ratings; and (5) the cost of printing or engraving, and mailing or delivering the definitive Bonds.

(b) Underwriters. The Underwriters shall pay: (1) the cost of preparation and printing of Blue Sky and Legal Investment Memoranda, if any, to be used by it; (2) all advertising expenses in connection with the public offering of the Bonds; (3) California Debt and Investment Advisory Commission fees; and (4) all other expenses incurred by the Underwriters in connection with its public offering and distribution of the Bonds, including, without limitation, any experts or other consultants hired or retained by the Underwriters, the fees and charges of the CUSIP Bureau, the Municipal Securities Rulemaking Board, the Public Securities Association and the California Public Securities Association.

Section 10. City Contracting Requirements. Each of the Underwriters hereby represents to the Commission that it has reviewed and will comply with the following City contracting requirements (the following provisions being deemed to apply to each Underwriter severally and not jointly:

(a) Nondiscrimination; Penalties.

(1) Nondiscrimination. In the performance of this Purchase Contract, the Underwriter agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), against any employee working with or application for employment with the Underwriter in any of the

Underwriter's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by the Underwriter.

(2) Nondiscrimination in Benefits. Unless a specific waiver has been granted pursuant to the provisions of Chapter 12B and/or Chapter 12C of the San Francisco Administrative Code, the Underwriter does not as of the date of this Purchase Contract and will not during the term hereof, in any of its operations in San Francisco, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(3) Condition to Contract. As a condition to this Purchase Contract, the Underwriter shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(4) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Paragraph by reference and made a part of this Purchase Contract as though fully set forth herein. The Underwriter shall comply fully with and be bound by all of the provisions that apply to this Purchase Contract under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Underwriter understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of $50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Purchase Contract may be assessed against each Underwriter and/or deducted from any payments due to the Underwriter.

(5) Incorporation of Administrative Code Section 12D. The Underwriter agrees to comply fully with all provisions of Chapters 12D of the San Francisco Administrative Code, as amended from time to time. Such provisions are incorporated herein by reference and made a part of this Purchase Contract as though fully set forth in this Purchase Contract. In the event the Underwriter willfully fails to comply with any of the provisions of Chapter 12D, the Underwriter shall be liable for liquidated damages for each contract in an amount equal to the Underwriter's net profit on the contract, or ten percent (10%) of the total amount of the contract, or one thousand dollars ($1,000), whichever is greatest. The amount of liquidated damages imposed will be determined by the Director of the Human Rights Commission after investigation pursuant to Section 12D.14(c). By entering into this Purchase Contract, the Underwriter acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to City upon demand. The Underwriter further acknowledges and agrees that any liquidated damages assessed may be withheld from any moneys due to such Underwriter under any contract or agreement with the City.

(b) Contractors Doing Business with the City Prohibited from Making Contributions. Pursuant to Section 16.570-2 of the San Francisco Administrative Code, the Underwriter acknowledges that no person who contracts with the City, for the rendition of personal services, or the furnishing of any material supplies or equipment to the City, or for selling any land or building to the City, whenever such transaction would require approval by a City elective officer, or the board on which that City elective officer serves shall make any contribution to such an officer, or candidates for such an office, or committee controlled by such officer or candidate at any times between commencement of negotiations and either the completion of, or the termination of, negotiations for such contract.

(c) Prohibition of Tobacco Advertising. The Underwriter acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of the City. This prohibition includes the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designated to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

(d) MacBride Principles—Northern Ireland. The City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

(e) Drug-Free Workplace Policy. The Underwriter acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Underwriter agrees that any violation of this prohibition by the Underwriter, its employees, agents or assigns will be deemed a material breach of this Purchase Contract.

(f) Tropical Hardwood and Virgin Redwood. Pursuant to San Francisco Administrative Code Section 12I.5(b), the City urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood product, virgin redwood or virgin redwood product.

(g) Sunshine Ordinance. In accordance with San Francisco Administrative Code Section 67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

(h) Resource Conservation; Liquidated Damages. Chapter 21A of the San Francisco Administrative Code ("Resource Conservation") is incorporated herein by reference. Failure by the Underwriter to comply with any of the requirements of Chapter 21A shall be deemed a material breach of this Purchase Contract. In the event the Underwriter fails to comply in good faith with any of the provisions of Chapter 21A, such Underwriter shall be liable for liquidated damages in an amount equal to such Underwriter's net profit under the contract, or five percent (5%) of the total amount of the contract dollars whichever is greatest. The Underwriter acknowledges and agrees that

the liquidated damages assessed shall be payable to City upon demand and may be set off against any moneys due to such Underwriter from any agreement with City.

(i) Compliance with Americans with Disabilities Act. Without limiting any other provision of this Purchase Contract, the Underwriter shall provide the services specified in this contract in a manner that complies with the Americans with Disabilities Act (ADA) Title 24, and any and all other applicable federal, state and local disability rights legislation. The Underwriter agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Purchase Contract and further agrees that any violation of this prohibition on the part of the Underwriter, its employees, agents or assigns shall constitute a material breach of this Purchase Contract.

(j) Notification of Limitations on Contributions. San Francisco Campaign and Governmental Conduct Code (the *"Conduct Code"*) Section 3.700 *et seq.*, and San Francisco Ethics Commission Regulations 3.710(a)-1 – 3.730-1, prohibit the public officials who approved this Purchase Contract from receiving: (1) gifts, honoraria, emoluments or pecuniary benefits of a value in excess of $50; (2) any employment for compensation; or (3) any campaign contributions for any elective office for a period of up to six years from individuals and entities who are "public benefit recipients" of the contract. Public benefit recipients of the contract are: (1) the individual, corporation, firm, partnership, association, or other person or entity that is a party to the contract; (2) an individual or entity that has a direct 10% equity, or direct 10% participation, or direct 10% revenue interest in that party at the time the public benefit is awarded; or (3) an individual who is an agent, director, partner or officer of the contracting party at the time the public benefit is awarded.

The Underwriter understands that any public official who approved this Purchase Contract may not accept campaign contributions, gifts, or future employment from such Underwriter except as provided under the Conduct Code. The Underwriter agrees to notify any other individuals or entities that may be deemed "public benefit recipients" under the Conduct Code because of this Purchase Contract. Upon request, the Underwriter agrees to furnish, before this Purchase Contract is entered into, such information as any public official approving this Purchase Contract may require in order to ensure such official's compliance with the Conduct Code. Upon request, the City agrees to provide the Underwriter, before this Purchase Contract is entered into, with a list of public officials who, under the Conduct Code, approved this Purchase Contract. Failure of any public official who approved this Purchase Contract to abide by the Conduct Code shall not constitute a breach by either the City or the Underwriter of this Purchase Contract. Notwithstanding anything to the contrary in this Purchase Contract, neither party shall have the right to terminate this Purchase Contract due to any failure by the other party to provide the information described in this Paragraph.

(k) Requiring Minimum Compensation for Covered Employees. Each Underwriter agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Purchase Contract as though fully set forth. The text of the MCO is available on the web at www.ci.sf.ca.us/MCO. Capitalized terms used in this paragraph and not defined in this Purchase Contract shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, each Underwriter agrees to all of the following:

(1) For each hour worked by a Covered Employee during a Pay Period on work funded under this Purchase Contract during the term of this Purchase Contract, the Underwriter shall provide to the Covered Employee no less than the Minimum

Compensation, which includes a minimum hourly wage and compensated and uncompensated time off consistent with the requirements of the MCO. For the hourly gross compensation portion of the MCO, the Underwriter shall pay $[_____] an hour through December 31, 2003. On January 1, 2004, the Underwriter shall increase the hourly gross compensation to $[_____] an hour; provided, however, that if the Underwriter is a Nonprofit Corporation or a public entity, it shall be required to pay the increased amount only if the City makes the finding required by Section 12P.3(a)(ii) of the San Francisco Administrative Code. If any Underwriter is required to increase the gross hourly compensation to $[_____] an hour, it shall provide the 2.5% annual increase required by the MCO for the next three years.

(2) The Underwriter shall discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to such compliance or anticipated compliance by such party with the requirements of the MCO, for opposing any practice proscribed by the MCO, for participating in proceedings related to the MCO, or for seeking to assert or enforce any rights under the MCO by any lawful means.

(3) The Underwriter understands and agrees that the failure to comply with the requirements of the MCO shall constitute a material breach by such party of the terms of this Purchase Contract. The City, acting through the City's Contracting Department, shall determine whether such a breach has occurred.

(4) If, within 30 days after receiving written notice of a breach of this Purchase Contract for violating the MCO, such party fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such party fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City, acting through its Contracting Department, shall have the right to pursue the following rights or remedies and any rights or remedies available under applicable law:

(A) The right to charge the Underwriter an amount equal to the difference between the Minimum Compensation and any compensation actually provided to a Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law;

(B) The right to set off all or any portion of the amount described in subparagraph (4)(A) of this Section 11(f) against amounts due to the Underwriter under this Purchase Contract;

(C) The right to terminate this Purchase Contract in whole or in part;

(D) In the event of a breach by the Underwriter of the covenant referred to in subparagraph (ii) of this Paragraph, the right to seek reinstatement of the employee or to obtain other appropriate equitable relief; and

(E) The right to bar the Underwriter from entering into future contracts with the City for three years.

The rights provided in this subparagraph (4) shall be exercisable individually or in combination with any other rights or remedies available to the City. Any amounts realized by the

City pursuant to this subparagraph (4) shall be paid to the Covered Employee who failed to receive the required Minimum Compensation.

(5) The Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(6) The Underwriter shall keep itself informed of the current requirements of the MCO, including increases to the hourly gross compensation due Covered Employees under the MCO, and shall provide prompt written notice to all Covered Employees of any increases in compensation, as well as any written communications received by the Underwriter from the City, which communications are marked to indicate that they are to be distributed to Covered Employees.

(7) The Underwriter shall provide reports to the City in accordance with any reporting standards promulgated by the City under the MCO, including reports on subcontractors.

(8) The Underwriter shall provide the City with access to pertinent records after receiving a written request from the City to do so and being provided at least five (5) business days to respond.

(9) The City may conduct random audits of the Underwriter. Random audits shall be (A) noticed in advance in writing; (B) limited to ascertaining whether Covered Employees are paid at least the minimum compensation required by the MCO; (C) accomplished through an examination of pertinent records at a mutually agreed upon time and location within ten days of the written notice; and (D) limited to one audit of each Underwriter every two years for the duration of this Purchase Contract. Nothing in this Purchase Contract is intended to preclude the City from investigating any report of an alleged violation of the MCO.

(10) Any subcontract entered into by the Underwriter shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Paragraph. A subcontract means an agreement between the Underwriter and a third party which requires the third party to perform all or a portion of the services covered by this Purchase Contract. Each Underwriter shall notify the City's Department of Administrative Services when it enters into such a subcontract and shall certify to the City's Department of Administrative Services that it has notified the subcontractor of the obligations under the MCO and has imposed the requirements of the MCO on the subcontractor through the provisions of the subcontract. It is the obligation of the Underwriter to ensure that any subcontractors of any tier under this Purchase Contract comply with the requirements of the MCO. If any subcontractor under this Purchase Contract fails to comply, the City may pursue any of the remedies set forth in this paragraph against the Underwriter.

(11) Each Covered Employee is a third-party beneficiary with respect to the requirements of subparagraphs (i) and (ii) of this Section 11(f), and may pursue the following remedies in the event of a breach by the Underwriter of subparagraphs (i) and (ii), but only after the Covered Employee has provided the notice, participated in the administrative review hearing, and waited the 21-day period required by the MCO. The Underwriter understands and agrees that if the Covered Employee prevails in such action, the Covered Employee may be awarded: (A) an amount equal to the difference between the

Minimum Compensation and any compensation actually provided to the Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law; (B) in the event of a breach by the Underwriter of subparagraph (i) or (ii), the right to seek reinstatement or to obtain other appropriate equitable relief; and (C) in the event that the Covered Employee is the prevailing party in any legal action or proceeding against the Underwriter arising from this Purchase Contract, the right to obtain all costs and expenses, including reasonable attorney's fees and disbursements, incurred by the Covered Employee. The Underwriter also understands that the MCO provides that if such Underwriter prevails in any such action, such party may be awarded costs and expenses, including reasonable attorney's fees and disbursements, from the Covered Employee if the court determines that the Covered Employee's action was frivolous, vexatious or otherwise an act of bad faith.

(12) If the Underwriter is exempt from the MCO when this Purchase Contract is executed because the cumulative amount of agreements with this department for the fiscal year is less than $25,000 ($50,000 for nonprofits), but the Underwriter later enters into an agreement or agreements that cause contractor to exceed that amount in a fiscal year, the Underwriter shall thereafter be required to comply with the MCO under this Purchase Contract. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Underwriter and this department to exceed $25,000 ($50,000 for nonprofits) in the fiscal year.

(l) Requiring Health Benefits for Covered Employees. Unless exempt, each Underwriter agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Purchase Contract as though fully set forth. The text of the HCAO is available on the web at www.ci.sf.ca.us/HCAO. Capitalized terms used in this Paragraph and not defined in this agreement shall have the meanings assigned to such terms in Chapter 12Q.

(1) For each Covered Employee, the Underwriter shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Underwriter chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(2) Notwithstanding the above, if the Underwriter is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with subparagraph (2) above.

(3) The failure by the Underwriter to comply with the HCAO shall constitute a material breach by such party of this agreement. The City shall notify the Authorized Officer of such party if a breach has occurred. If, within 30 days after receiving the City's written notice of a breach of this Purchase Contract for violating the HCAO, the Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). These remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(4) Any Subcontract entered into by either the Underwriter shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Paragraph. The Underwriter shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the City's Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Underwriter shall be responsible for its Subcontractors' compliance with the HCAO. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Paragraph against the Underwriter based on the Subcontractor's failure to comply, provided that the City has first provided the Underwriter with notice and an opportunity to obtain a cure of the violation.

(5) The Underwriter shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City or the City with regard to the compliance or anticipated compliance by each Underwriter with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(6) Each Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(7) Each Underwriter shall keep itself informed of the current requirements of the HCAO.

(8) The Underwriter shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(9) The Underwriter shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least five business days to respond.

(10) The City may conduct random audits of the Underwriter to ascertain its compliance with HCAO. The Underwriter agrees to cooperate with the City when it conducts such audits.

(11) If the Underwriter is exempt from the HCAO when this Purchase Contract is executed because its amount is less than $25,000 ($50,000 for nonprofits), but such party later enters into an agreement or agreements that cause the aggregate amount of all agreements by such party with the City to reach $75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Underwriter and the City to be equal to or greater than $75,000 in the fiscal year.

Section 11. Notices. Any notice or other communication to be given under this Purchase Contract to the Commission or the Underwriters may be given by delivering the same in writing at the addresses set forth below:

If to the Commission:

Port Commission of the City and
County of San Francisco
Port of San Francisco, Pier 1
San Francisco, CA 94111
Telephone (415) 274-0400
Fax (415) 274-0528

If to the Underwriters:

Siebert Brandford Shank & Co., LLC
Lake Merritt Plaza
1999 Harrison Street, Suite 2720
Oakland, CA 94612
Attention Peter C. Wong
Telephone: 510-645-2245
Fax: 510-645-2265

and

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, CA 94104
Attention: Vincent McCarley
Telephone: 415-392-5505
Fax: 415-392-5505

Section 12. Entire Agreement. This Purchase Contract, when accepted by the Commission, shall constitute the entire agreement between the Commission and the Underwriters and is made solely for the benefit of the Commission and the Underwriters (including the successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder by virtue hereof. All of the Commission's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriters (b) delivery of and payment for the Bonds hereunder, and (c) any termination of this Purchase Contract.

Section 13. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 14. Mutual Reliance on Representations and Warranties. The Commission hereby acknowledges that the Underwriters, in executing this Purchase Contract and in paying for the Bonds as provided herein, are relying upon the representations and warranties of the Commission set forth herein. The Underwriters hereby acknowledges that the Commission, in executing this Purchase Contract and issuing the Bonds described herein, is relying upon the representations and warranties of the Underwriters set forth herein.

Section 15. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Purchase Contract shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 16. **State of California Law Governs**. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California.

Very truly yours,

SIEBERT BRANDFORD SHANK & CO., LLC

By: _____
Authorized Officer

BACKSTROM MCCARLEY BERRY & CO., LLC

By: _____
Authorized Officer

Accepted as of the date first stated above:

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Treasurer

Approved as to Form:

DENNIS J. HERRERA
City Attorney

By _____
Deputy City Attorney

SCHEDULE I

TO THE PURCHASE CONTRACT

Maturity Schedule

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price
2005				
2006				
2007				
2008				
2009				

PORT OF SAN FRANCISCO

MEMORANDUM

July 7, 2004

TO: MEMBERS, PORT COMMISSION

Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon
Hon. Susan Bierman
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Reconsideration of, and request for authorization to amend Contract No. 3048-03/04 with Literacy for Environmental Justice to provide education and public participation programs at Heron's Head Park.

DIRECTOR'S RECOMMENDATION: AUTHORIZE AMENDMENT OF CONTRACT TO EXTEND TERM AND INCREASE CONTRACT AMOUNT.

Since 2001 the Port has contracted with Literacy for Environmental Justice to provide environmental education and community participation programs at Heron's Head Park as part of the Port's facilities maintenance projects, funded annually in the operating budget. Literacy for Environmental Justice (LEJ) is a community-based non-profit organization dedicated to providing environmental education programs to schools and youth groups in the Bayview-Hunter's Point community. Under its current contract with the Port (FY 03-04), LEJ has lead over 1,000 students in environmental education programs at Heron's Head Park, and guided volunteers contributing many thousands of hours of labor toward on-going habitat restoration and park maintenance. For example, Thurgood Marshall Academic High School teamed with City College of San Francisco Biology Department faculty to undertake a series of visits focused on soil and sediment monitoring at Heron's Head Park over the course of the 2003-04 school year. El Dorado Elementary School worked with LEJ to conduct on-site education programs for 20 of its teachers and 180 students. El Dorado Elementary School's programs included planting 35 new plants and thirty small willow trees. LEJ organized and lead similar programs for many other schools, including Gloria R. Davis Middle School, Malcolm X Academy, and Mission High School. LEJ has also organized and lead many education and volunteer events for adults, such as park cleanup and guided park tours conducted in conjunction with an Earth Day celebration, special events for corporate and other volunteer groups to do park cleanup and weeding, and volunteer "workdays" on the second Saturday of each month. Excerpts from letters recently received from students, teachers and

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residents who use Heron's Head Park are provided in Attachment A to provide the Commission with additional examples of how the public uses and enjoys the park.

While Port staff are very pleased and proud of the work that LEJ has done at Heron's Head Park, we recognize that there may be other organizations in the community, some of which are new or with newly developing capability in environmental education, that may be able to provide high quality and cost-effective programs. Staff therefore proposes to issue a request for proposals to conduct education and community participation programs at Heron's Head Park, and award a new professional service contract based on a competitive selection process. LEJ's current contract ended June 30, 2004. Consequently, the contract solicitation and award process will cause a suspension of these services at Heron's Head Park until a new contractor is selected.

Therefore, Port staff requests authorization to execute an amendment of LEJ's contract to extend the term for three months (to September 30, 2004) and to increase the contract amount by $12,425 (to a total contract amount of $62,125), and thereby minimize this disruption in service during the summer when many child-care and recreation programs are in need of quality, local activities for youth. The Port has allocated funds in the Fiscal Year 2004-05 operating budget to support operation and maintenance of Heron's Head Park, including education and community participation programs. Port staff recommends that the Commission authorize an amendment of the existing contract with LEJ accordingly.

Prepared by: Carol Bach, Assistant Deputy Director, EH&S
for Alex Lee, Director, Facilities and Operations

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-59

WHEREAS, The Port wishes to provide education, public participation, and volunteer opportunities at Heron's Head Park, a unique wetlands habitat and public access park located on the southern waterfront; and

WHEREAS, Such programs support the Port's efforts to operate and maintain Heron's Head Park; and

WHEREAS, The Port's existing contract for environmental education and community participation programs, without any term extension, expired on June 30, 2004, during a time when community youth programs are in need of meaningful educational activities in the local area; and

WHEREAS, The Port further wishes to minimize disruption of existing programs during the competitive selection process for a new professional services contract; and

WHEREAS, This goal can be achieved by amending the Port's existing contract with Literacy for Environmental Justice to extend the contract term by three months and increase the total contract amount by $12,425; and

WHEREAS, Funds to support education and public participation programs at Heron's Head Park are available and included in a Facilities Maintenance Project for fiscal year 2004-05; therefore be it

RESOLVED, That the Port Commission hereby reaffirms its prior Resolution No. 04-55, adopted at its last meeting of June 22, 2004, authorizing Port staff to execute an amendment to Contract No. 3048-03/04 with Literacy for Environmental Justice to extend the contract term by three months and increase the total contract amount by $12,425, resulting in a contract amount not-to-exceed $62,125.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of July 13, 2004.

_____

Secretary

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-55

WHEREAS, the Port wishes to provide education, public participation, and volunteer opportunities at Heron's Head Park, a unique wetlands habitat and public access park located on the southern waterfront; and

WHEREAS, such programs support the Port's efforts to operate and maintain Heron's Head Park; and

WHEREAS, the Port's existing contract for environmental education and community participation programs, without any term extension, will expire on June 30, 2004, during a time when community youth programs are in need of meaningful educational activities in the local area; and

WHEREAS, the Port further wishes to minimize disruption of existing programs during the competitive selection process for a new professional services contract; and

WHEREAS, this goal can be achieved by amending the Port's existing contract with Literacy for Environmental Justice to extend the contract term by three months and increase the total contract amount by $12,425; and

WHEREAS, funds to support education and public participation programs at Heron's Head Park are available and included in a Facilities Maintenance Project for fiscal year 2004-05; therefore be it

RESOLVED, that the Port Commission hereby authorizes Port staff to execute an amendment to Contract No. 3048-03/04 with Literacy for Environmental Justice to extend the contract term by three months and increase the total contract amount by $12,425, resulting in a contract amount not-to-exceed $62,125.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of June 22, 2004.

Secretary

Attachment A

"As a teacher Heron's Head Park is an unbeatable resource. For studends in the southeastern part of the city, it provides an invaluable, easily accessible, learning environment and classroom. I have seen so many kids excited and inspired by the opportunity to walk in the mudflats, find crabs on the rocky shoreline, or look through the binooculars at the bird blinds. It is amazing to have a living laboratory like Heron's Head Park available for long term projects or once a year visits. The park teaches so many lessons, from respect for plants and animals, to knowledge of native plants, to current issues of environmental justice in the city. From the elementary students I work with now to the high school students I worked with last year, all ages are able to learn from the experience."

- *Second Grade Teacher, SFUSD*

"Mission High School is considered a 'low-performing' school, with the majority of students tested as Limited English Proficient. Many of my students are newly arrived immigrants who are unfamiliar to San Francisco and the United States. As their science teacher, I have seen a remarkable acceleration in my students' ability to comprehend content and make connections when we utilize both the watershed curriculum …and take field trips out to Heron's Head Park. I strongly believe that my students' English comprehension and the science standards that I teach would not excel as rapidly without the [educational programs at Heron's Head Park]".

- *Science Teacher, Mission High School*

"Heron's Head Park is an invaluable resource that has become woven into the lives of my community and myself. When I first began working in the neighborhood eight years ago, Pier 98, as it was called then, was a degraded spit of land jutting out into the bay that, while offering wonderful views of wildlife, the surrounding India Basin neighborhood, and the East Bay, lacked the continuity to be a true asset. … The park is a magnet for my immediate neighbors and San Franciscans of all stripes. Since I work from home, I often go on mid-day walks or runs with my dog to find all sorts of folks using the park as a place to relax, … take their children, or simply to go fishing…. On weekends my wife and I see visitors from all around town come to enjoy this wonderful amenity and see that our neighborhood doesn't deserve the stereotypes that are so often portrayed in the media."

- *India Basin neighborhood resident*

"Of all the things lacking in Bayview-Hunters Point, open space is the most ironic. We live on the coast, right by the water, yet there are barely beaches and coves for youth or anybody for that matter to enjoy. Fortunately, thanks to a lot of dedicated people, we do have access to the open space we deserve. The restoration efforts at Heron's Head Park have improved the area so much; the atmosphere at this park is so open and welcoming. People go there to meditate, learn, fish, and just relax … it's definitely a god send to such a neglected community."

- *Participant, HHP Education Programs*

PORT OF SAN FRANCISCO

MEMORANDUM

July 7, 2004

TO: MEMBERS, PORT COMMISSION

Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon
Hon. Susan Bierman
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Request for authorization to amend contract with Philip Services Corporation for disposal of hazardous waste.

DIRECTOR'S RECOMMENDATION: AUTHORIZE AMENDMENT OF GENERAL SERVICES CONTRACT TO EXTEND TERM AND INCREASE CONTRACT AMOUNT BY $50,000.

The Port generates hazardous waste from its own operation and maintenance activities, collects hazardous waste abandoned on Port property, and manages hazardous waste collected at the Port's two used oil recycling collection stations. Until 2002, the Port obtained hazardous waste disposal services through inter-departmental work orders to the Department of Public Health, Hazardous Waste Management Division or Department of Public Works, Site Assessment and Remediation section. Port staff's analysis of waste disposal costs found that savings could be achieved by direct contracting with hazardous waste disposal service providers. Since 2002, the Port has contracted with two hazardous waste disposal firms, each contract not to exceed $50,000.

In December 2003 and January 2004, the City and County of San Francisco, Purchasing Division, Office of Contract Administration, on behalf of the Port, solicited competitive bids for a general services contract for hazardous waste disposal, not to exceed $50,000. In February 2004, the contract was awarded to Philip Services, the lowest responsive bidder of three respondents. Since awarding the contract (POPO04000684), the Port has disposed of or recycled approximately 34 tons of hazardous waste, and various quantities of other types of waste (contaminated containers, compressed gas cylinders) at a cost of just under $50,000.

The Port has allocated funds in the Fiscal Year 2004-05 operating budget for hazardous waste disposal. Because the bidding and contractor selection occurred so recently and Philip Services Corporation provides excellent service and pricing, Port and Purchasers' Office staff believe that

This Print Covers Calendar Item No. **5B**

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the existing contract remains fair and very competitive in its terms. Consequently Port staff recommends that the Commission authorize amendment of the existing contract with Philip Services to increase the total contract value from $50,000 to $100,000. Pending Commission approval, $50,000 budgeted for hazardous waste disposal in Fiscal Year 2004-05 would be encumbered for inclusion in this contract.

Prepared by: Carol Bach, Assistant Deputy Director, EH&S
for Alex Lee, Director, Facilities and Operations

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-60

WHEREAS, The Port is required by law to properly manage and dispose of hazardous waste generated by its operations and abandoned on its property; and

WHEREAS, Such hazardous waste management requires the services of qualified hazardous waste transporters and disposal facilities; and

WHEREAS, In February 2004, following a competitive bidding process, the Office of Contract Administration, in collaboration with the Port, awarded a contract to Philip Services Corporation to provide hazardous waste disposal services to the Port; and

WHEREAS, Since February 2004, Philip Services Corporation has assisted in removal or recycling of approximately 34 tons of waste, including hazardous waste, from Port facilities; and

WHEREAS, The Port has an on-going need to secure hazardous waste management services as efficiently and cost-effectively as possible; and

WHEREAS, These goals can be achieved by amending the existing contract with Philip Services Corporation to increase the contract amount by $50,000 to a total contract price not to exceed $100,000; and

WHEREAS, Funds to manage hazardous waste are included in the Port's operating budget for fiscal year 2004-05; now therefore be it

RESOLVED, That the Port Commission hereby authorizes Port staff to amend the contract with Philip Services Corporation, to increase the existing contract price from $50,000 to the not-to-exceed sum of $100,000.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of July 13, 2004.

_____

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

July 8, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Sue Bierman, Commissioner
Hon. Kimberly Brandon, Commissioner
Hon. Ann Lazarus, Commissioner

FROM: Monique Moyer
Executive Director

SUBJECT: Reconsideration and approval of a five-year lease with Delancey Street Foundation, Inc. for space at Seawall Lot 349, Building 117, on Michigan Street, between 20th Street and 21st Street.

DIRECTOR'S RECOMMENDATION: APPROVE FIVE-YEAR LEASE WITH DELANCEY STREET FOUNDATION, INC. FOR SPACE AT SEAWALL LOT 349, BUILDING 117, ON MICHIGAN STREET, BETWEEN 20TH STREET AND 21ST STREET.

BACKGROUND

The Delancey Street Foundation, Inc. ("Delancey") currently operates a moving and storage operation at Pier 36 under Port Lease No. L-11866. The original term of the lease was for five years, however Delancey is now on a month-to-month holdover status.

Pursuant to the Port's Structural Facility Condition Survey Policy, a Rapid Structural Assessment of Pier 36 was performed by the Port's Structural Engineering Group. The inspection findings are contained in the Rapid Structural Assessment Report dated March 25, 2004. The Report cited several portions of Pier 36 to be unsafe and not capable of sustaining live loads associated with the current use.

The Acting Chief Harbor Engineer has made the determination under recommendation of the Structural Engineering Group to discontinue the use of Pier 36 and commence the process of vacating the Pier. On June 3, 2004, the Port sent Delancey a 30-day notification to vacate the premises.

THIS PRINT COVERS CALENDAR ITEM NO. 6A

Port staff and Delancey have located an acceptable relocation site and negotiated a lease for space located at Seawall Lot 349, Building 117, on Michigan Street, between 20th Street and 21st Street. Additionally, pursuant to the proposed Guidelines on Interim Leasing, Port staff will meet with the Pier 70 Citizens Advisory Committee to discuss this lease.

PROPOSED LEASE

The following is an outline of basic terms and conditions to be included in the Lease with Delancey for premises located at Seawall Lot 349, Building 117, on Michigan Street, between 20th Street and 21st Street.

1. **Premises:** Approximately 31,440 sq. ft. of shed space and an estimated 40,000 sq. ft. of paved land. Square footage for the paved land is subject to a final measurement upon reconfiguration of the space.

2. **Use:** Storage of moving equipment, materials, parking and light maintenance (washing) of moving trucks.

3. **Term:** Five (5) years.

4. **Rent**:

   Base Rent: Rental Rate of $.10 per sq. ft. per month for shed space and paved land, with annual cost of living increases.

   Total Base Rent: $7,144.00 per month. $85,728.00 annually.

   Base rent will be adjusted to reflect final measurement of paved land, as stated above.

5. **Rent Abatement:** Port shall abate rent for the last 30 days of Delancey's tenancy at Pier 36 under Lease No. L-11866, beginning June 3, 2004.

RECOMMENDATION

Port staff recommends that Commission approve the attached resolution authorizing the Executive Director and Port staff to take any and all steps they deem necessary or appropriate, in consultation with the City Attorney, in order to consummate the approval of a five-year lease with Delancey in accordance with this resolution. Such steps may include initial issuance of a 90-day license followed by the subject lease.

Prepared by: Mark Lozovoy,
Assistant Deputy Director, Real Estate

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-61

WHEREAS, Charter Section 3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and

WHEREAS, Delancey Street Foundation, Inc. ("Delancey") is currently on a month-to-month holdover tenancy at Pier 36, under Port Lease No. L-11866; and

WHEREAS, the Port's Structural Engineering Group conducted a structural inspection of Pier 36; and

WHEREAS, pursuant to the inspection findings contained in the Port's Rapid Structural Assessment, dated March 25, 2004, portions of Pier 36 were found to be unsafe and not capable of sustaining live loads associated with the current use; and

WHEREAS, the Acting Chief Harbor Engineer has made the determination to discontinue the use of Pier 36 and to vacate Delancey from the premises; and

WHEREAS, the Port has sent Delancey a 30-day notification to vacate the premises dated June 3, 2004; and

WHEREAS, Port staff has located a relocation site and negotiated a five-year lease with Delancey for shed space and paved land located at Seawall lot 349, Building 117, on Michigan Street, between 20th Street and 21st Street; now, therefore, be it

RESOLVED, that the San Francisco Port Commission hereby reaffirms its prior Resolution No. 04–51, adopted at its last meeting of June 22, 2004, approving a five-year lease No. L-13312 between the Port and Delancey for shed space and paved land located at Seawall Lot 349, Building 117, on Michigan Street, between 20th Street and 21st Street, in a form to be approved by the City Attorney's Office, which terms and conditions are set forth substantially and in preliminary form in the Memorandum of Agenda Item 4A for the June 22, 2004 Port Commission Meeting.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 13, 2004.

_____
Secretary

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-51

WHEREAS, Charter Section 3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and

WHEREAS, Delancey Street Foundation, Inc. ("Delancey") is currently on a month to month holdover tenancy at Pier 36, under Port Lease No. L-11866; and

WHEREAS, the Port's Structural Engineering Group conducted a structural inspection of Pier 36; and

WHEREAS, pursuant to the inspection findings contained in the Port's Rapid Structural Assessment, dated March 25, 2004, portions of Pier 36 were found to be unsafe and not capable of sustaining live loads associated with the current use; and

WHEREAS, the Acting Chief Harbor Engineer has made the determination to discontinue the use of Pier 36 and to vacate Delancey from the premises; and

WHEREAS, the Port has sent Delancey a 30-day notification to vacate the premises dated June 3, 2004; and

WHEREAS, Port staff has located a relocation site and negotiated a five-year lease with Delancey for shed space and paved land located at Seawall lot 349, Building 117, on Michigan Street, between 20th Street and 21st Street; now, therefore, be it

RESOLVED, that the San Francisco Port Commission hereby approves a five-year lease No. L-13312 between the Port and Delancey for shed space and paved land located at Seawall Lot 349, Building 117, on Michigan Street, between 20th Street and 21st Street, in a form to be approved by the City Attorney's Office, which terms and conditions are set forth substantially and in preliminary form in the Memorandum of Agenda Item 4A for the June 22, 2004 Port Commission Meeting.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 22, 2004.

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

July 9, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon
Hon. Sue Bierman
Hon. Ann Lazarus

FROM: Monique Moyer, Executive Director

SUBJECT: Approval of Amendment to and Restatement of Lease No. L-12275 with Pier 23 Café, Inc. for property located at Pier 23.

DIRECTOR'S RECOMMENDATION: APPROVE AMENDMENT TO AND RESTATEMENT OF LEASE NO. L-12275.

BACKGROUND

In 1996, the Port Commission approved a ten (10)-year lease with Pier 23 Café, a California limited partnership for the operation of a bar and restaurant at Pier 23 (the Embarcadero at Greenwich Street) and a portion of the Marginal Wharf area between Pier 23 and Pier 27 (Port Commission Resolution No. 96-121.) Lease No. L-12275 was subsequently approved by a resolution of the Board of Supervisors on January 21, 1997 (Board of Supervisors Resolution No. 68-97) which was approved by the Mayor on January 31st of that same year.

The Pier 23 Café has been a Port icon for over 70 years. Flicka McGurrin and the Pier 23 Café partnership acquired the bar and restaurant from a previous Port tenant in 1987. A three-year lease replaced the then existing month-to-month tenancy in 1994. The current lease was entered into pursuant to the Port Commission's Retail Leasing Policy (Port Commission Resolution No. 93-52). The Retail Leasing Policy reaffirms the Port's commitment to foster and encourage full and equitable opportunities for leasing retail sites on the waterfront through an outreach and competitive bid or request for proposal process. However, the policy also allows for the direct negotiations of a lease with an existing retail tenant if the benefits of direct negotiation exceed the benefits of a public offering. This policy permits the Port to enter into long-term leases with the existing tenant, provided that the tenant develops a business plan and strategy for capital investment and warranting the term length and provided further that the Port Commission determines that:

1. The tenant is in good standing;

This Print Covers Calendar Item No. 6B

2. The tenant is committed to making significant capital investment supported by a sound business plan which will benefit the Port;

3. The tenancy is in the best economic interest of the Port and the tenant is the best economic tenant available based on sales and revenues to the Port, rent comparables and stable growth pattern; and

4. The tenant has a good record of affirmative action and non-discrimination and is committed to further compliance.

Through its 1996 resolution, the Port Commission determined that such conditions had been met by Pier 23 Café (a woman-owned business enterprise) and approved a ten-year lease.

Pursuant to the Lease, Pier 23 Café committed to invest approximately $202,935 in new sewer and waste lines, ADA compliant restrooms, a remodel of the bar and dining room and kitchen and the installation of certain Bay Conservation and Development Commission required public access improvements. All of the required improvements have been installed except for the kitchen remodeling which the tenant has indicated will be completed by January 31, 2005 and has committed to complete by not later than January 31, 2006. (See discussion below on terms and conditions of the proposed amendment.)

Pier 23 Café, a California limited partnership, has recently reorganized as a California corporation under the name Pier 23 Café, Inc. Pier 23 Café, Inc. now proposes to extend the term of the lease through April 30, 2030, again pursuant to the Retail Leasing Policy.

In October of 2001, the Port Engineering Department conducted a Rapid Assessment Team survey of the substructure beneath the Pier 23 Café Premises and the Marginal Wharf between the restaurant premises and Pier 27. That survey revealed that the investigated substructure was in need of repair and correction of deferred maintenance. While not now life threatening, it was the opinion of the Port's Chief Harbor Engineer that these conditions be corrected as soon as possible. Under the existing lease, the Port is responsible for substructure repair and maintenance.

During the same time period, Pier 23 Café, Inc. approached the Port seeking an extension of the term of its current lease. Port staff responded by insisting that any extension of the term would require assumption by the tenant of repair responsibilities for the premises substructure, including the responsibility to correct any conditions of deferred maintenance. After a thorough investigation by the tenant and a review of that information by the Port Engineering Department, it was projected that the cost to correct the deferred maintenance under the Pier 23 Café premises (Parcel A) alone would exceed $1.8 Million. A full investigation of the Marginal Wharf (Parcel B) is pending the approval of this proposed Amendment to and Restatement of Lease. Given the magnitude of these projected costs, Pier 23 Café, Inc. was not prepared to assume the substructure repair responsibility without a significant extension of term with a length sufficient to allow the orderly amortization of its investment. Pier 23 Café, Inc. proposed that it would undertake the immediate needed corrections to deferred maintenance and any other needed repairs to the premises substructure, and would obtain all necessary financing to secure such performance in return for a term extension sufficient to permit a rational amortization of its investment. Pier 23 Café, Inc., proposed an extension of term through May 30, 2030. In addition, the tenant agreed to conduct tri-annual substructure investigations throughout the extended term and would accompany the results of those obligations to the Port along with a detailed repair plan responding to the results of the investigation. Pier 23 Café, Inc. also was willing to commit to the completion of all such indicated repairs under penalty of a non-curable default.

Port staff established that such a proposal was in the best interests of the Port and determined that if accompanied by a rent stabilization component, the Port's participation in future capital events (e.g., sale

or refinancing) and reasonable enforcement provisions, was worthy of presentation to the Port Commission for approval. Port staff and representatives of Pier 23 Café, Inc. entered into a series of lease amendment negotiations and have arrived at agreement on a proposal for Port Commission approval containing the following salient terms and conditions:

Premises:	
Parcel A:	Approximately 4,388 square feet of open pier space at Pier 23 and all improvements and alterations thereon (the existing Pier 23 Café bar, restaurant and outside dinning area).
Parcel B:	A non-exclusive license to use approximately 3,750 square feet of Marginal Wharf between the Pier 23 Restaurant building and Pier 27 (the existing public access area of the Pier 23 Café.)
Parcel B Premises Reduction:	It is anticipated that the historic rehabilitation and redevelopment of piers 27, 29 and 31 will require that a portion of the Parcel B Premises be utilized for the exclusive use of the Piers 27, 29 and 31 developer and/or the Port. Accordingly the lease provides for a future reduction in the Parcel B Premises to accommodate such a requirement. Such reduction shall not result in any rent reduction or abatement nor reduce or diminish the tenant's substructure repair responsibilities prior to such reduction.
Term:	32 years and 51 weeks commencing May 7, 1997 (the Commencement Date of the existing Lease) and terminating April 30, 2030.
Rent:	Base Rent: $10,962.50 per month as adjusted annually by the CPI and as adjusted periodically as set forth below. Current Base Rent as adjusted from May 1, 1997 is $ 13,620.91.
Adjustment to Base Rent:	Annually pursuant to a CPI based formula. Commencing May 1, 2007 and every 5 years thereafter, the Base Rent shall be adjusted to the greater of the Base Rent for the previous Lease Year as adjusted by the CPI or 70% of the average annual percentage rent for the three previous lease years. There shall be no downward adjustment in Base Rent.
Percentage Rent:	7% of all gross sales subject to standard Port exclusives for refunds and returns, sales taxes, meals to employees and costs of live music included in revenues collected for private functions.
Taxes & Assessments:	All taxes and assessments to be paid by tenant.
Security Deposit:	Two (2) times the monthly Base Rent.
Capital Event Participation:	The Port will share in any proceeds from the sale of the leasehold pursuant to standard Port lease language.

Maintenance & Repairs: Tenant to be responsible for <u>all</u> repairs and maintenance.

Repair and Maintenance of Substructure:

Tenant to submit an investigation report and repair plan to the Port for the premises substructure by not later than December 31, 2004.

(Note: The tenant has conducted an investigation of the substructure beneath the Parcel A Premises and has submitted a Repair Plan to the Port. The Port Engineering Department has approved the investigative report and the preferred Repair Plan.)

If the required Repair Plan for both Parcels A and B are not submitted by December 31, 2004 or if the Port in its reasonable exercise of its right to approve a Repair Plan, has not done so by August 31, 2005, the tenant shall be in default of its lease.

Once approved, the tenant must complete the substructure repairs pursuant to the Repair Plan by not later than December 31, 2006. Failure to complete such repairs by said date will result in the termination of the lease on April 30, 2007 without opportunity to extend the term. The tenant has agreed to these terms.

Additional Improvements: As discussed above, the current lease requires that certain Alterations and Improvements be installed by tenant at a total cost of approximately $202,000. To date there remains outstanding, the obligation to remodel the kitchen (approximate value: $40,000.00). The Amendment provides that if such remodel is not completed by January 31, 2006, the Port may terminate the lease by 30 day written notice. The tenant has agreed to such a condition.

Insurance: Insurance for general liability coverage has been increased from $1 Million to $5 Million. Additional insurance coverages now required of Port tenants and not provided for in the current agreement have been added.

City Requirements: The Amendment provides for adherence to all City requirements including non-discrimination, the MacBride Principles, the Tropical Hardwood and Virgin Redwood Policy, Tobacco Products Advertising Ban, First Source Hiring, Card Check Agreements, Health Care Benefits for Covered Employees, Pesticide Prohibition, Contributions from Contracts, and the Green Building Ordinance.

Approval by Board of Supervisors: Once approved by the Port Commission the proposed Amendment and Restatement of Lease No. L-12275 must be approved by a resolution of the Board of Supervisors of the City and County of San Francisco and that resolution must be approved by the Mayor.

Port staff believes that Pier 23 Café, Inc.'s record of performance and proposed capital investment and sound business plan satisfy the four conditions discussed above, permitting the Port to enter into direct negotiations for a long-term lease and the approval of that lease by the Port Commission under its Retail Leasing Policy.

1. Good Standing:

Pier 23 Café, Inc. and its predecessor companies have a consistent good payment history and a current account. The tenant is in compliance with all insurance requirements, keeps accurate records and cooperates with the Port's audit process. The tenant provides a dependable level of goods and services and

utilizes sound and good business practices. Pier 23 Café, Inc. is in compliance with all permits and the rules and regulations of all regulatory agencies.

With the exception of the completion of the kitchen remodel (discussed above), Pier 23 Café, Inc. is in full compliance of the terms and conditions of its present lease.

2. Commitment to Making a Significant Capital Investment Supported by a Sound Business Plan Which Will Benefit the Port:

Pier 23 Café, Inc. has committed to expending $ 1.8 - $2.3 Million to repair the substructure beneath the Pier 23 Café, Inc. and the marginal wharf between the restaurant and Pier 27. The repairs agreed to by the Port are designed with normal and routine maintenance to extend the useful life of the facility beyond the natural termination of the proposed extended term thereby adding to the value of the Port's existing asset. It is the level of this substantial investment that warrants the proposed 23-year lease extension. In addition to the immediate repairs, Pier 23 Café, Inc. agrees to repair and maintain the substructure beneath its premises throughout the term of the lease thereby relieving the Port of this responsibility.

Port staff believe that the current operating and marketing policies of Pier 23 Café, Inc. constitute a sound business plan and that the historical performance of the tenant would indicate that future operations would be consistent with past history. In addition, the tenant's agreement to periodic Base Rent Adjustments equal to 70% of average percentage rents guarantees to the Port predictable cash flow while reducing possible future percentage rent volatility.

3. The Tenancy is in The Best Economic Interest of the Port:

For many of the reasons discussed in the preceding numbered section, the proposed lease is in the best economic interest of the Port. The Port will be relieved of the expense of investigating and repairing the substructure under the Pier 23 Café, Inc. Premises. The periodic rent adjustment provisions will shield the Port from the volatility of percentage rent payments, thereby securing consistent and predictable increased Base Rent. The tenant has demonstrated a consistent historical pattern of increased sales and percentage rents. (See attached historic sales and percentage rent receipts.)

The tenant has been and should continue to have gross sales that cross the percentage rent threshold. As such, the total revenues to the Port (7% of gross sales) are consistent with or exceed those experienced by other restaurant landlords in the current real estate market. The tenant has demonstrated a historic growth pattern since taking over the business in 1987 and Port staff anticipates like performance in the future.

4. Affirmative Action Compliance:

The corporate entity, Pier 23 Café, Inc., formerly Pier 23 Café limited partnership is a woman-owned business enterprise. Pursuant to the terms of its existing lease and the personal commitment of the majority stockholder, Pier 23 Café, Inc.

actively seeks female and minority employees. Currently the employee staff at the Pier 23 Café has a minority and women component of over 60%. Based on the tenant's historic hiring practices and the fact that the proposed lease amendment incorporates the Affirmative Action/EEO Plan attached to the original lease, Port staff is satisfied that Pier 23 Café, Inc. is committed to meeting that plan's affirmative action and equal opportunity hiring goals.

Conclusion:

The proposed Amendment to and Restatement of Lease No. L-12275 is in the best economic interests of the Port. It at once, secures increases in guaranteed Base Rent and relieves the Port of its exiting substructure repair obligation. The proposed Amendment to and Restatement of Lease No. L-12275 will also secure for the next 23 years the historic Pier 23 Café on the Port's vibrant waterfront. Also, because the continued integrity of the premises substructure requires repairs to be performed to the premises in the very near future, such investment requires a substantial amount of lease term to amortize the costs, and the current lease with Pier 23 Café has a remaining term of two years, seeking bids for this leasing opportunity is impossible and impractical. A bid would require waiting for the expiration of the existing term, which would not allow for the substructure repair within the short timeframe necessary, and would be unlikely to result in an economic benefit to the Port equal or greater than that offered by the existing tenant.

Recommendation:

Port staff recommends that the Port Commission approve the proposed Amendment to and Restatement of Lease No. L-12275.

Prepared by: Nicolas Dempsey, Asset Manager

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-62

WHEREAS, Charter Section 3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and

WHEREAS, Section 3.581(g) of the Charter of the City and County of San Francisco provides that leases granted and made by the Port Commission should be administered exclusively by the operating forces of the Port Commission; and

WHEREAS, by Resolution of the Port Commission the Port Commission and Pier 23 Café, a California general partnership entered into that certain lease dated November 4, 1996, for certain real property located at Pier 23 in the City and County of San Francisco (Port Commission Resolution No. 96-121) (the "Original Lease"); and

WHEREAS, the Original Lease was subsequently approved by the resolution of the Board of Supervisors of the City and County of San Francisco (Board of Supervisors Resolution No. 68-97); and

WHEREAS, on March 11, 2003, the Port Commission, by Resolution No. 03-17, approved an Exclusive Right to Negotiate ("ERN") between the Port and SF Piers 27-31, LLC anticipating that the Port and SF Piers 27-31, LLC will enter into a lease for Piers 27, 29 and 31 and a portion of the marginal wharf between Piers 23 and Pier 27, a portion of which is affected by the Original Lease; and

WHEREAS, it will be necessary to reconfigure the Original Lease Premises and reduce a portion of the premises affected by the Original Lease in order to effect the historic rehabilitation and redevelopment of Piers 27, 29 and 31; and

WHEREAS, Pier 23 Café, a California general partnership, has been reorganized under the laws of the State of California as Pier 23, Café, Inc., a California Corporation; and

WHEREAS, Pier 23 Café, Inc., has proposed to extend the term of the Original Lease pursuant to the Port Commission's Retail Leasing Policy (Port Commission Resolution No. 93-52); and

WHEREAS, pursuant to the Retail Leasing Policy direct negotiations for extended lease terms are permitted provided that the Port Commission determines that:

1. The Tenant is in good standing.
2. The Tenant is committed to making a significant capital investment supported by a sound business plan which benefits the Port.
3. The tenancy is in the best economic interests of the Port and the best economic tenant available.
4. The Tenant is in compliance with the Port's affirmative action criteria; and

WHEREAS, Pier 23 Café, Inc. is a Tenant in good standing; and

WHEREAS, Pier 23 Café, Inc. has proposed to make a substantial capital investment in the premises affected by the Original Lease which investment is supported by a historically sound business plan; and

WHEREAS, the continued tenancy of Pier 23 Café, Inc. is in the best economic interests of the Port and the best economic tenant available; and

WHEREAS, Pier 23 Café, Inc. is in compliance with the Port's affirmative action criteria; and

WHEREAS, Pier 23 Café, Inc. proposes to amend the Original Lease and to assume the obligation to repair and maintain the substructure of the premises affected by the Original Lease; and

WHEREAS, due to the significant investment anticipated by the proposed amendment, Pier 23 Café, Inc. has requested an extension of the term of the Original Lease through April 30, 2030; and

WHEREAS, Pier 23 Café, Inc. has agreed to amend the lease to provide for periodic Base Rent increases throughout the requested extended term; and

WHEREAS, Pier 23 Café, Inc. and Port staff have negotiated all of the terms and conditions of a proposed Amendment to and Restatement of Lease No. L-12275 consistent with the terms and conditions set forth in the Staff Memorandum; and

WHEREAS, pursuant to its authority under Section 9.118 of the Charter of the City and County of San Francisco, the Board of Supervisors of the City and County of San Francisco must approve non-maritime Port leases of ten (10) years or more; and

WHEREAS, because the continued integrity of the premises substructure requires repairs to be performed to the premises in the very near future, such investment requires a substantial amount of lease term to amortize the costs, and the current lease with Pier 23 Café has a remaining term of two years, seeking bids for this leasing opportunity is impossible and impractical, and

WHEREAS putting the opportunity out to bid would require waiting for the expiration of the existing term, which would not allow for the substructure repair within the short timeframe necessary, and would be unlikely to result in an economic benefit to the Port equal or greater than that offered by the existing tenant; and

WHEREAS, the best interests of the City and County of San Francisco and the Port Commission will be served by entering into the proposed Amendment to and Restatement of Lease No. L-12275, and

WHEREAS that it is the finding of the Port Commission that Pier 23 Café, Inc. satisfies all of the conditions as set forth in the Port Commission Retail Leasing Policy (Port Commission Resolution 93-52) permitting the Port to enter into direct negotiations with an existing Port retail tenant for an extension of the term of an existing lease, to wit:

1. The tenant be in good standing;
2. the tenant is committed to making a significant capital investment in its leased premises which investment is supported by a sound business plan;

3. the tenancy is in the best economic interests of the Port and the Tenant is the best economic tenant available, and
4. the tenant is in compliance with the Port's affirmative action criteria; and

WHEREAS, the historic rehabilitation and redevelopment of Piers 27, 29 and 31 require that a portion of the Premises affected by the Original Lease be returned to the Port for its exclusive use; now be it

RESOLVED, that the Port Commission hereby approves the terms and conditions of the proposed Amendment to and Restatement of Lease No. L-12275 as set forth in the Staff Memorandum; and be it further

RESOLVED, that the Port Commission approves, confirms and ratifies all prior actions taken by the officials, employees and agents of the Port Commission or the City with respect to the Amendment to and Restatement of Lease No. L-12275; and be it further

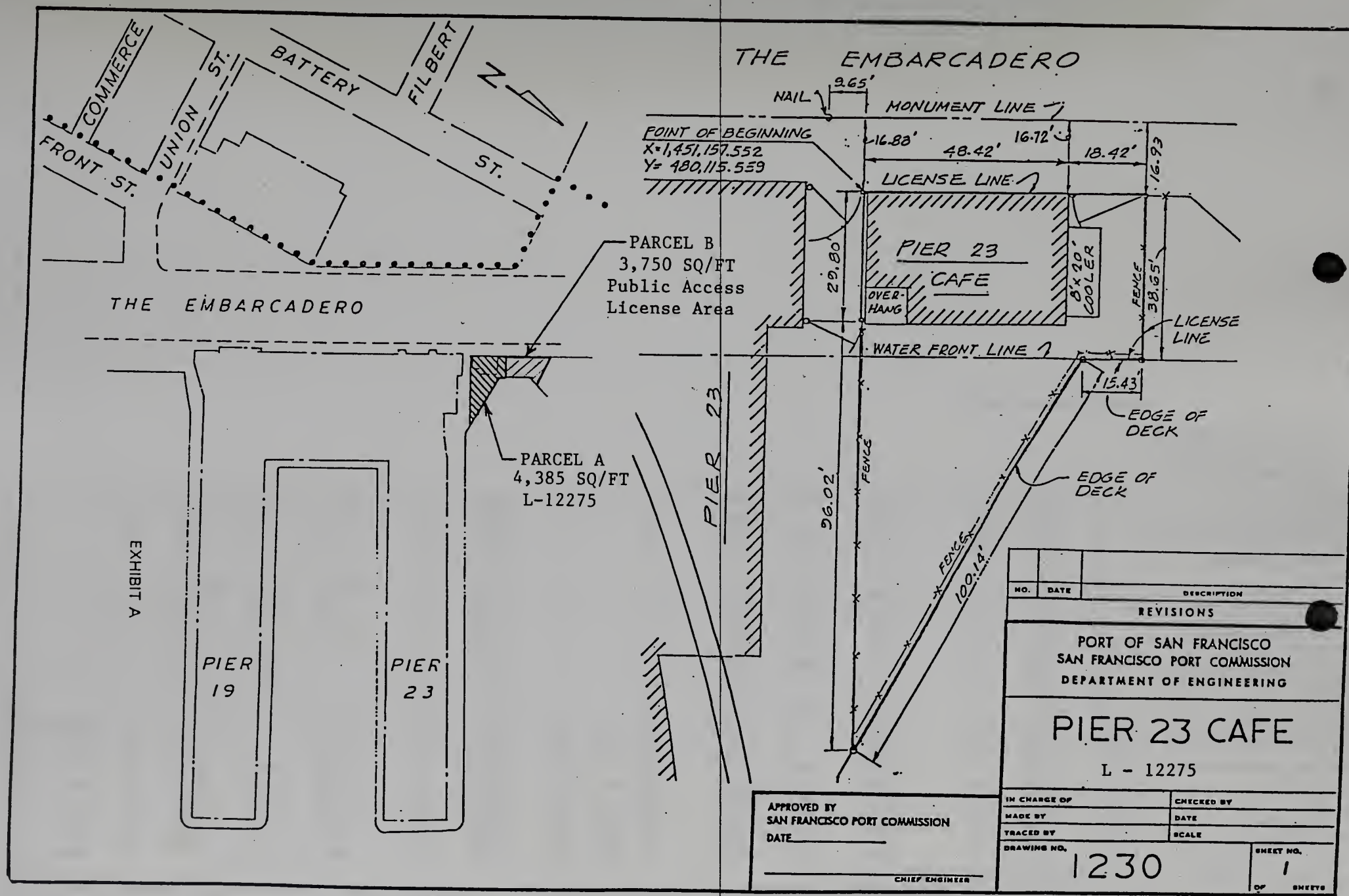
RESOLVED, that the Port Commission authorizes and directs the Executive Director to forward the Amendment to and Restatement of Lease No. L-12275 to the Board of Supervisors for approval pursuant to its authority under Charter Section 9.118(c), and upon the effectiveness of such approval, to execute the Amendment to and Restatement of Lease No. L-12275; including all exhibits thereto consistent with the terms and conditions set forth in the Staff Memorandum and in a form to be approved by the City Attorney; and be it further

RESOLVED, that the San Francisco Port Commission authorizes the Executive Director to enter into any addition, amendments or other modifications to the Amendment to and Restatement of Lease No. L-12275 (including without limitation, preparation and attachment of, or changes to any and all exhibits) that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the City, do not increase or decrease the rent or otherwise do not materially increase the obligations or liabilities of the City, and are necessary or advisable to complete the transactions to the Amendment to and Restatement of Lease No. L-12275 in accordance with this resolution or to otherwise effectuate the purpose and intent of this resolution, such determination to be evidenced by the execution and delivery by any such person or persons of any such documents; and be it therefore

RESOLVED, that the San Francisco Port Commission authorizes and urges the Executive Director and any other appropriate officers, agents or employees of the City to take any and all steps (including but not limited to, the execution and delivery of any and all certificates, agreements, notices, escrow instruction, closing instructions or other documents) as they or any of them deem necessary or appropriate, in consultation with the City Attorney, in order to consummate the transactions incorporated in the Amendment to and Restatement of Lease No. L-12275 in accordance with this resolution, or to otherwise effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by any such person or persons of any such documents.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of July 13, 2004.

_____
Secretary


COMMERCE ST.
UNION ST.
BATTERY ST.
FILBERT ST.
FRONT ST.
N
THE EMBARCADERO
PARCEL B
3,750 SQ/FT
Public Access
License Area
THE EMBARCADERO
PARCEL A
4,385 SQ/FT
L-12275
EXHIBIT A
PIER 19
PIER 23
THE EMBARCADERO
NAIL
9.65'
MONUMENT LINE
POINT OF BEGINNING
X=1,451,157.552
Y= 480,115.559
16.88'
48.42'
16.72'
18.42'
16.93
LICENSE LINE
PIER 23
CAFE
OVER-HANG
8'x10' COOLER
FENCE
38.65'
LICENSE LINE
29.80'
WATER FRONT LINE
15.43'
EDGE OF DECK
PIER 23
96.02'
FENCE
EDGE OF Deck
FENCE
100.14'
NO. DATE DESCRIPTION
REVISIONS
PORT OF SAN FRANCISCO
SAN FRANCISCO PORT COMMISSION
DEPARTMENT OF ENGINEERING
PIER 23 CAFE
L - 12275
APPROVED BY
SAN FRANCISCO PORT COMMISSION
DATE
CHIEF ENGINEER
IN CHARGE OF
CHECKED BY
MADE BY
DATE
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SCALE
DRAWING NO.
1230
SHEET NO.
1
OF SHEETS

PORT OF SAN FRANCISCO : *MONTHLY SALES & RENT REPORT*

TENANT	AREA (GLA)	April 2004 SALES	% Change (Over Prior Yr)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	% Change (Over Prior Yr.)	Sales per Sq.Ft.	Rent per Sq.Ft.	LAST 12 MONTHS (May '03 - April '04) SALES	% Change (Over Prior Yr.)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	%Change (Over Prior Yr.)	Sales/ Sq.FL	Rent/ Sq.FL
'ESTAURANTS - FULL SERVICE		***CENTRAL & SOUTHERN***															
Blue Jeans Equities / Fog City Diner	7,627	285,588	7%	5,339	13,938	19,277	7%	37.44	2.53	3,535,166	5%	62,031	176,593	238,625	5%	463.51	31.29
Jelly's - A Dance Cafe	2,287	52,839	52%	3,144	1,980	5,124	51%	23.10	2.24	552,661	40%	37,581	18,201	55,782	37%	241.65	24.39
Kelly's Mission Rock	10,000	125,079	0%	11,978	0	11,978	0%	12.51	1.20	1,540,799	0%	143,736	0	143,736	3%	154.08	14.37
Pier 23 Cafe	4,835	278,226	31%	13,552	5,924	19,476	31%	57.54	4.03	2,616,549	-2%	162,624	46,162	208,786	1%	541.17	43.18
The Ramp Restaurant		164,280	72%	5,908	2,338	8,246	23%	-	-	1,729,411	7%	69,378	21,505	90,883	0%	-	-
Red's Java House	772	79,983	36%	998	4,600	5,598	36%	103.61	7.25	700,757	2%	11,988	36,824	48,812	2%	907.72	63.23
RGN Corporation/Butterfly Restaurant		200,018	(1)	7,000	3,001	10,001	*	-	-	1,979,516	*	84,000	29,179	113,179	*		
Sinbad's	6,000	151,710	32%	17,842	0	17,842	1%	25.29	2.97	1,707,894	11%	213,036	0	213,036	1%	284.65	35.51
The Pound SF (Bo's Bounty Bar & Grill)	6,506	15,304	153% (5)	1,916	0	1,916	2%	2.35	0.29	146,763	24%	22,902	0	22,902	2%	22.56	3.52
Waterfront Restaurant	4,245	335,279	16%	10,000	0	10,000	0%	78.98	2.36	4,223,084	12%	120,000	0	120,000	-39%	994.84	28.27
SUBTOTAL:		$1,688,307	40%	$77,677	$31,781	$109,458	24%	-	-	$18,732,601	19%	$927,276	$328,464	$1,255,741	6%	-	-
ARKING																	
Central Parking System (Pier 27 Apron)		16,840	(1)	0	11,114	11,114	*	-	-	189,123	*	0	124,818	124,818	*	-	-
Central Parking System (Piers 27/29)		49,184	-8%	0	32,462	32,462	-8%	-	-	650,527	10%	0	429,352	429,352	10%	-	-
China Basin Ball Park Co.		588,040	58%	101,554	0	101,554	0%	-	-	3,488,984	-4%	1,218,648	534,053	1,752,701	16%	-	-
Imperial Parking Inc. (Piers 30/32))		87,834	(1)	0	57,970	57,970	*	-	-	180,887	*	0	119,384	119,384	*	-	-
Imperial Parking Inc. (SWL #330)		93,726	(1)	31,875	29,984	61,859	*	-	-	518,082	*	330,894	41,203	371,897	*	-	-
Imperial Parking Inc. (SWL #337)		4,812	53%	0	3,176	3,176	53%	-	-	40,786	-11%	0	26,918	26,918	-11%	-	-
Pacific Park Management, Inc.		42,448	(1)	39,333	0	39,333	*	-	-	331,688	*	353,997	0	353,997	*	-	-
SUBTOTAL:		$882,884	106%	$172,762	$134,706	$307,468	121%	-	-	$5,400,077	26%	$1,903,339	$1,275,728	$3,179,067	64%	-	-
CURSIONS/TRANSPORTATION																	
Hornblower Yachts, Inc.		318,222	197% (7)	2,090	21,248	23,338	8%	-	-	5,135,486	8%	240,262	169,076	409,338	6%	-	-
Hornblower Yachts, Inc. (Pier 3 Parking)		226,562	53% (6)	15,028	8,452	23,480	44%	-	-	2,775,514	26%	179,296	96,086	275,382	30%	-	-
Pacific Marine Yacht Charters		190,027	-18%	13,664	0	13,664	-7%			3,572,933	-9%	163,968	55,185	219,153	-1%		
SUBTOTAL:		$734,811	51%	$30,782	$29,700	$60,482	15%	-	-	$11,483,933	5%	$583,526	$320,347	$903,873	10%	-	-

(1) Tenancy commenced in 2003.
(5) Same month/last year's sales was $6041.00
(6) Same month/last year's sales was $57,327.11
(7) Same month/last year's sales was $107046.00

· (Continued on Next Page) ·

PORT OF SAN FRANCISCO

MONTHLY SALES & RENT REPORT

TENANT	AREA (GLA)	JUNE 2003 SALES	% Change (Over Prior Yr)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	% Change (Over Prior Yr.)	Sales per Sq.Ft.	Rent per Sq.Ft.	LAST 12 MONTHS (July '02 - June '03) SALES	% Change (Over Prior Yr.)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	%Change (Over Prior Yr.)	Sales/ Sq.Ft.	Rent/ Sq.Ft.
STAURANTS - FULL SERVICE		***CENTRAL & SOUTHERN***															
lue Jeans Equities / Fog City Diner	7,627	272,053	-5%	4,842	13,521	18,363	-5%	35.67	2.41	3,356,258	-4%	58,104	168,438	226,542	-4%	440.05	29.70
elly's - A Dance Cafe	2,287	60,083	116%	3,095	2,767	5,862	91%	26.26	2.56	444,173	2%	37,115	7,988	45,103	2%	194.22	19.72
elly's Mission Rock	10,000	155,365	-6%	11,978	0	11,978	3%	15.54	1.20	1,551,900	-1%	140,253	0	140,253	2%	155.19	14.03
er 23 Cafe	4,835	271,792	-14%	13,552	5,474	19,026	-14%	56.21	3.94	2,641,607	-4%	159,674	44,104	203,778	-2%	546.35	42.15
ne Ramp Restaurant		218,230	5%	5,763	4,548	10,311	11%	-	-	1,634,378	1%	68,617	22,448	91,065	-3%	-	-
ed's Java House	772	57,551	3%	998	3,030	4,028	2%	74.55	5.22	690,836	24%	11,778	36,346	48,124	21%	894.87	62.34
nbad's	8,000	141,008	-12%	17,585	0	17,585	1%	23.50	2.93	1,515,067	-3%	210,354	0	210,354	2%	252.51	35.06
ne Pound SF (Bo's Bounty Bar & Grill)	8,506	12,365	163%	1,886	0	1,886	1%	1.90	0.29	121,245	2%	22,609	0	22,609	2%	18.64	3.48
'aterfront	4,245	342,450	-11%	10,000	0	10,000	-58%	80.67	2.36	3,823,006	2%	249,635	10,449	260,084	1%	900.59	61.27
UBTOTAL:	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$15,774,490	0%	$956,139	$290,773	$1,247,912	[illegible]	[illegible]	[illegible]
RKING																	
Iright Parking Co. (Pier 27 Apron)		17,208	*	0	11,357	11,357	*	-	-	26,536	*	0	17,513	17,513	*	-	-
Iright Parking Co. (Piers 27/29)		59,678	32%	0	39,388	39,388	32%	-	-	625,043	21%	0	412,529	412,529	21%	-	-
Iright Parking Co. (SWL #322-I)		39,697	**	0	26,200	26,200	**	-	-	74,495	**	0	49,166	49,166	**	-	-
ina Basin Ball Park Co.		426,818	8%	101,554	114,328	215,882	113%	-	-	3,608,956	38%	1,218,648	480,232	1,698,880	17%	-	-
ty Parking Company (Piers 30/32)	124,065	28,363	3%	0	18,720	18,720	3%	0.23	0.15	278,117	55%	0	183,558	183,558	55%	2.24	1.48
ty Parking Company (SWL #330)		115,355	***	20,000	37,678	57,678	***			584,851	***	160,000	132,427	292,427	***		
perial Parking (U. S.), Inc.		5,246	-14%	0	3,462	3,462	-14%	-	-	43,956	11%	0	29,000	29,000	11%	-	-
UBTOTAL:	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$5,241,963	55%	$1,378,648	$1,304,425	$2,683,073	36%	[illegible]	[illegible]
URSIONS/TRANSPORTATION																	
omblower Yachts, Inc.		489,522	-16%	21,551	17,711	39,262	-3%	-	-	4,686,721	-5%	257,461	132,394	389,855	6%	-	-
omblower Yachts, Inc. (Pier 3 Parking)		279,751	154%	14,898	8,334	23,232	53%	-	-	2,512,984	47%	177,390	49,238	226,628	16%	-	-
acific Marine Yacht Charters		356,183	-41%	13,664	5,634	19,298	-31%			3,606,451	25%	159,328	51,335	210,663	38%		
UBTOTAL:	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$10,806,156	13%	$594,179	$232,967	$827,146	16%	[illegible]	[illegible]

* Tenancy commenced in May 2003.
** Tenancy commenced in May 2003.
*** Tenancy commenced in November 2002.

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PORT OF SAN FRANCISCO:

MONTHLY SALES & RENT REPORT

TENANT	AREA (GLA)	JUNE 2002 SALES	% Chenge (Over Prior Yr)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	% Chenge (Over Prior Yr.)	Seles per Sq.Ft.	Rent per Sq.Ft.	LAST 12 MONTHS (July '01 - June '02) SALES	% Change (Over Prior Yr.)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	%Change (Over Prior Yr.)	Sales/ Sq.Ft.	Rent/ Sq.Ft.
RESTAURANTS - FULL SERVICE		***CENTRAL & SOUTHERN***															
Bistro Z	3234SF	112,893	-26%	13,604	0	13,604	4%	-	-	1,542,359	-27%	160,992	0	160,992	2%	-	-
Blue Jeans Equities / Fog City Diner	7,627	286,199	-8%	4,842	14,476	19,318	-8%	37.52	2.53	3,506,005	-11%	56,724	179,928	236,652	-11%	459.68	31.03
Jelly's - A Dence Cefe	2,287	27,816	-43%	3,070	0	3,070	-35%	12.16	1.34	434,020	-9%	36,576	7,806	44,382	-6%	189.78	19.41
Kelly's Mission Rock	10,000	164,895	7%	11,591	0	11,591	2%	16.49	1.16	1,570,353	-5%	137,229	0	137,229	5%	157.04	13.72
Pier 23 Cafe	4,835	315,221	-15%	13,257	8,809	22,066	-15%	65.20	4.56	2,739,657	-4%	156,394	51,563	207,957	-3%	566.63	43.01
The Ramp Restaurant		207,421	-17%	5,688	3,601	9,287	-8%	-	-	1,620,196	-5%	66,968	26,494	93,462	0%	-	-
Red's Java House	772	56,143	69%	977	2,953	3,930	69%	72.72	5.09	558,887	50%	11,537	28,306	39,843	54%	723.95	51.61
Sinbad's	6,000	180,254	23%	17,363	0	17,363	5%	26.71	2.89	1,567,145	1%	206,554	0	206,554	5%	261.19	34.43
The Pound SF (Bo's Bounty Bar & Grill)	6,506	4,709	-43%	1,863	0	1,863	7%	0.72	0.29	119,164	15%	22,240	0	22,240	6%	18.32	3.42
Waterfront	4,245	386,716	-13%	19,416	4,592	24,008	-9%	91.10	5.66	3,740,716	-38%	232,992	23,668	256,660	-26%	881.21	60.46
SUBTOTAL:		$1,722,267	-10%	$91,669	$34,431	$126,100	-5%			$17,398,502	-16%	$1,088,206	$317,765	$1,405,971	-6%	-	-
PARKING																	
Allright Parking Co.		90,570	7%	75,316	0	75,316	2%	-	-	1,053,737	-5%	887,006	1,642	888,648	4%	-	-
Allright Parking Co. (Piers 27/29)		45,354	-19%	0	29,934	29,934	-19%	-	-	515,840	-24%	0	340,455	340,455	-24%	-	-
C. M. P. Services (SWL #351)		12,394	-31%	6,447	1,733	8,180	-31%	-	-	180,686	-34%	76,444	42,805	119,249	-34%	-	-
China Basin Ball Park Co.		394,751	-18%	101,554	0	101,554	-39%	-	-	2,620,891	-2%	1,218,648	237,235	1,455,883	-5%	-	-
City Parking Company	124,065	27,463	-14%	0	18,126	18,126	-14%	0.22	0.15	179,540	-42%	0	118,081	118,081	-42%	1.45	0.95
Imperial Parking (U. S.), Inc.		6,132	58%	0	4,047	4,047	58%	-	-	39,521	148%	0	26,083	26,083	148%	-	-
SUBTOTAL:		$576,664	-15%	$183,317	$53,840	$237,157	-24%			$4,590,215	-9%	$2,182,098	$766,301	$2,948,399	-9%	-	-
EXCURSIONS/TRANSPORTATION																	
Hornblower Yachts, Inc.		580,911	-4%	21,263	19,006	40,269	-3%	-	-	4,931,839	-41%	251,473	115,337	366,810	-35%	-	-
Hornblower Yachts, Inc. (Pier 3 Parking)		110,158	-2%	14,667	516	15,183	7%	-	-	1,713,094	N/A	173,004	22,870	195,874	N/A	-	-
Pacific Marine Yacht Charters		606,236	N/A	13,200	14,618	27,818	N/A			2,883,366	N/A	102,900	49,467	152,367	N/A		
SUBTOTAL:		$1,297,305	82%	$49,130	$34,140	$83,270	50%	-	-	$9,528,299	9%	$527,377	$187,674	$715,051	9%	-	-

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PORT OF SAN FRANCISCO : MONTHLY SALES & RENT REPORT

TENANT	AREA (GLA)	JUNE 2001 SALES	% Change (Over Prior Yr)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	% Change (Over Prior Yr.)	Sales per Sq.Ft.	Rent per Sq.Ft.	LAST 12 MONTHS (July '00 - June '01) SALES	% Change (Over Prior Yr.)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	%Change (Over Prior Yr.)	Sales/ Sq Ft	Rent/ Sq Ft
RESTAURANTS - FULL SERVICE	-	***CENTRAL & SOUTHERN***															
Bay Corporation / Gabbiano's	34,659	241,974	-17%	12,850	2,779	15,629	-18%	$6.98	$0.00	3,143,593	7%	150,502	55,099	205,601	8%	90.70	$5.93
Bistro Z	3234SF	152,906	-6%	13,040	0	13,040	10%	-	-	2,103,591	N/A	151,804	6,473	158,277	20%	-	-
Blue Jeans Equities / Fog City Diner	7,627	312,061	-9%	4,612	16,452	21,064	-9%	40.92	2.76	3,935,542	-1%	54,024	211,624	265,648	-1%	516.00	34.83
Boondocks	2,225	22,601	4%	1,838	0	1,838	4%	10.16	0.83	255,299	8%	22,056	815	22,871	6%	114.74	10.28
Bo's Bounty Bar & Grill	6,506	8,300	-21%	1,747	0	1,747	4%	1.28	0.27	103,215	-17%	20,893	0	20,893	4%	15.86	3.21
Jelly's - A Dance Cafe	2,287	48,935	23%	2,806	1,944	4,750	23%	21.40	2.08	479,048	11%	33,672	13,774	47,446	13%	209.47	20.75
Kelly's Mission Rock	10,000	154,338	5%	11,384	0	11,384	6%	15.43	1.14	1,646,273	2%	130,398	0	130,398	5%	164.63	13.04
Pier 23 Cafe	4,835	371,522	30%	12,988	13,018	26,006	30%	76.84	5.38	2,865,210	17%	148,646	66,266	214,912	15%	592.60	44.45
The Ramp Restaurant		249,007	21%	5,490	4,552	10,042	-3%	-	-	1,709,969	13%	63,825	29,633	93,458	7%	-	-
Red's Java House	772	33,172	56%	957	1,365	2,322	56%	42.97	3.01	373,584	99%	10,934	14,983	25,917	97%	483.92	33.57
Ship Restaurant	10,440	26,111	-23%	3,331	0	3,331	0%	2.50	0.32	238,158	-1%	39,972	0	39,972	0%	22.81	3.83
Sinbad's	6,000	130,628	1%	16,514	0	16,514	5%	21.77	2.75	1,545,215	-9%	195,933	0	195,933	5%	257.54	32.66
Waterfront	4,245	442,433	-23%	19,416	6,932	26,348	-17%	104.22	6.21	6,066,936	-11%	232,992	115,014	348,006	-9%	1429.20	81.98
SUBTOTAL:		$2,193,988	-3%	$106,973	$47,042	$154,015	-1%	-	-	$24,465,633	7%	$1,256,651	$513,681	$1,769,332	4%	-	-
PARKING																	
Allright Parking Co.		84,972	-2%	73,790	0	73,790	6%	-	-	1,107,551	17%	840,468	12,605	853,073	5%	-	-
Allright Parking Co. (Pier 1/2)		12,219	-20%	0	8,065	8,065	-20%	-	-	153,410	83%	0	101,252	101,252	83%	-	-
Allright Parking Co. (Piers 27/29)		55,795	-3%	0	36,825	36,825	-3%	-	-	676,334	67%	0	446,379	446,379	67%	-	-
C. M. P. Services (SWL #351)		18,044	-37%	6,332	5,577	11,909	-37%	-	-	272,920	9%	72,912	107,213	180,125	9%	-	-
China Basin Ball Park Co.		484,051	104%	101,554	64,438	165,992	63%	-	-	2,675,704	315%	1,218,648	316,756	1,535,404	461%	-	-
City Parking Company	124,065	32,082	30%	0	21,174	21,174	30%	0.26	0.17	309,584	93%	0	204,326	204,326	93%	2.50	1.65
Imperial Parking (U. S.), Inc.		3,888	N/A	0	2,566	2,566	N/A	-	-	15,916	N/A	0	10,504	10,504	N/A	-	-
SUBTOTAL:		$691,051	53%	$181,676	$138,645	$320,321	28%	-	-	$5,211,419	109%	$2,132,028	$1,199,035	$3,331,063	98%	-	-
EXCURSIONS/TRANSPORTATION																	
Hornblower Yachts, Inc.		602,276	-30%	20,342	21,089	41,431	-28%	-	-	8,351,653	5%	240,468	320,758	561,226	6%	-	-
Hornblower Yachts, Inc. (Pier 3 Parking)		112,374	N/A	14,167	0	14,167	N/A	-	-	375,493	N/A	85,002	7,080	92,082	N/A	-	-
SUBTOTAL:		$714,650	-17%	$34,509	$21,089	$55,598	-4%	-	-	$8,727,146	10%	$325,470	$327,838	$653,308	23%	-	-

Note *Lease commenced on 5/1/00.

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PORT OF SAN FRANCISCO : MONTHLY SALES & RENT REPORT

TENANT	AREA (GLA)	JUNE 2000 SALES	% Change (Over Prior Yr.)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	% Change (Over Prior Yr.)	Sales per Sq.Ft.	Rent per Sq.Ft.	LAST 12 MONTHS (July '99 - June '00) SALES	% Change (Over Prior Yr.)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	%Change (Over Prior Yr.)	Sales/ Sq.Ft.	Rent/ Sq.Ft.
RESTAURANTS - FULL SERVICE		*CENTRAL & SOUTHERN*															
Bay Corporation / Gabbiano's	34,659	292,321	22%	11,001	7,971	18,972	21%	$8.43	$0.00	2,924,369	0%	121,010	69,764	190,774	0%	84.38	$5.50
Bistro Z	3234SF	162,380	N/A	11,526	0	11,526	13%	-	-	648,776	89%	130,314	0	130,314	3%	-	-
Blue Jeans Equities / Fog City Diner	7,627	342,343	52%	4,183	18,925	23,108	52%	44.89	3.03	3,965,901	2%	50,196	217,503	267,699	2%	519.98	35.10
Boondocks	2,225	21,709	-44%	1,764	0	1,764	-35%	9.76	0.79	236,584	-9%	21,168	372	21,540	0%	106.33	9.68
Bo's Bounty Bar & Grill	6,506	10,460	2%	1,676	0	1,676	4%	1.61	0.26	124,400	-12%	20,049	0	20,049	4%	19.12	3.08
Jelly's - A Dance Cafe	2,287	39,785	13%	2,678	1,177	3,855	13%	17.40	1.69	431,071	7%	32,140	9,805	41,945	8%	188.49	18.34
Kelly's Mission Rock	10,000	146,337	0%	10,694	0	10,694	4%	14.63	1.07	1,611,180	136%	124,028	0	124,028	145%	161.12	12.40
Pier 23 Cafe	4,835	286,478	26%	12,267	7,787	20,054	26%	59.25	4.15	2,441,734	7%	142,364	44,478	186,842	4%	505.01	38.64
The Ramp Restaurant		205,953	22%	5,206	5,137	10,343	26%	-	-	1,511,823	11%	60,763	26,193	86,956	12%	-	-
Red's Java House	772	21,265	0%	904	585	1,489	0%	27.55	1.93	187,352	11%	10,518	2,627	13,145	9%	242.68	17.03
Ship Restaurant	10,440	33,809	781% *	2,871	0	2,871	0%	3.24	0.28	240,039	63%	34,457	0	34,457	0%	22.99	3.30
Sinbad's	6,000	129,571	-14%	15,769	0	15,769	4%	21.60	2.63	1,691,820	-5%	187,338	0	187,338	4%	281.97	31.22
Waterfront	4,245	574,368	0%	19,416	12,474	31,890	2%	135.30	7.51	6,846,015	-2%	232,992	147,737	380,729	1%	1612.72	89.69
SUBTOTAL:		$2,266,779	23%	$99,966	$54,056	$154,011	15%	-	-	$22,861,054	7%	$1,167,337	$618,479	$1,785,816	7%	-	-
OTHER FOOD & BEVERAGE																	
Ferry Terminal Conference Room		2,388	34%	798	0	798	0%	-	-	26,057	-47%	9,581	0	9,581	0%	-	-
Omar's Cafe		14,772	31%	300	0	300	0%	-	-	165,192	25%	3,600	0	3,600	-18%	-	-
SUBTOTAL:		$17,160	32%	$1,098	$0	$1,098	0%	-	-	$191,249	6%	$13,181	$0	$13,181	-4%	-	-
PARKING																	
Allright Parking Co.		86,973	14%	67,198	0	67,198	0%	-	-	948,135	1145% **	806,376	5,607	811,983	1108%	-	-
Allright Parking Co. (Pier 1/2)		15,334	N/A	0	10,121	10,121	N/A	-	-	83,711	N/A	0	55,251	55,251	N/A	-	-
Allright Parking Co. (Pier 3)		29,499	N/A	0	19,469	19,469	N/A	-	-	168,573	N/A	0	111,258	111,258	N/A	-	-
Allright Parking Co. (Piers 27/29)		57,632	N/A	0	38,037	38,037	N/A	-	-	405,991	N/A	0	267,956	267,956	N/A	-	-
C. M. P. Services (SWL #351)		28,663	152%	5,948	12,969	18,917	152%	-	-	251,155	91%	69,464	96,296	165,760	91%	-	-
China Basin Ball Park Co.		237,729	N/A	101,554	0	101,554	N/A	-	-	644,846	N/A	203,108	70,462	273,570	N/A	-	-
City Parking Company	124,065	24,719	N/A	0	16,315	16,315	N/A	0.20	0.13	160,615	1313% ***	0	106,005	106,005	1313%	1.29	0.85
SUBTOTAL:		$480,549	449%	$174,700	$96,911	$271,611	244%	-	-	$2,663,026	1114%	$1,078,948	$712,836	$1,791,783	1008%	-	-
EXCURSIONS/TRANSPORTATION																	
Hornblower Yachts, Inc.		856,069	32%	19,433	38,265	57,698	32%	-	-	7,969,824	27%	229,644	301,658	531,302	22%	-	-
SUBTOTAL:		$856,069	32%	$19,433	$38,265	$57,698	32%	-	-	$7,969,824	27%	$229,644	$301,658	$531,302	22%	-	-

Note * The sales for 6/99 was only $3,837.00.
** Lease commenced on 6/1/99.
*** Lease commenced on 2/1/99.

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PORT OF SAN FRANCISCO

MONTHLY SALES & RENT REPORT

TENANT	AREA (GLA)	JUNE 1999 SALES	% Change (Over Prior Yr)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	% Change (Over Prior Yr.)	Sales per Sq.Ft.	Rent per Sq.Ft.	LAST 12 MONTHS (July '98 - June '99) SALES	% Change (Over Prior Yr.)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	%Change (Over Prior Yr.)	Sales/ Sq.Ft.	Rent/ Sq.Ft.
RESTAURANTS FULL SERVICE		***CENTRAL & SOUTHERN***															
Bay Corporation / Gabbiano's		240,415	2%	11,001	4,627	15,628	2%	-	$0.00	2,918,580	2%	132,011	58,416	190,427	2%	-	-
Blue Jeans Equities / Fog City Diner		224,549	-36%	4,183	10,974	15,157	-36%	-	-	3,895,360	-6%	48,405	214,533	262,938	-6%	-	-
Boondocks	2,225	38,560	105%	1,899	999	2,698	64%	17.33	1.21	260,444	20%	20,388	1,185	21,573	9%	117.05	9.70
Bo's Bounty Bar & Grill	6,506	10,235	-27%	1,614	0	1,614	3%	1.57	0.25	141,717	1%	19,320	0	19,320	3%	21.78	2.97
Jelly's - A Dance Cafe	2,287	35,260	-3%	2,678	744	3,422	1%	15.42	1.50	403,958	2%	31,622	7,140	38,762	3%	176.63	16.95
Kelly's Mission Rock		146,612	0%	10,264	0	10,264	0%	-	-	682,352	0%	50,568	0	50,568	0%	-	-
Pier 23 Cafe	4,835	226,958	-8%	11,306	4,581	15,887	-8%	46.94	3.29	2,290,558	-2%	133,957	46,063	180,020	1%	473.75	37.23
The Ramp Restaurant		188,700	11%	4,992	3,191	8,183	18%	-	-	1,358,043	9%	58,985	18,699	77,684	3%	-	-
Red's Java House	772	21,287	52%	871	619	1,490	52%	27.57	1.93	168,759	14%	9,980	2,034	12,014	13%	218.60	15.56
Samos Restaurant (filed for bankruptcy)		0	-100%	10,193	0	10,193	-13%	-	-	342,453	-74%	121,168	4,803	125,971	26%	-	-
Ship Restaurant		3,837	-40%	2,871	0	2,871	0%	-	-	147,526	19%	34,457	0	34,457	0%	-	-
Sinbad's		149,893	4%	15,139	0	15,139	3%	-	-	1,773,919	-6%	179,868	0	179,868	3%	-	-
Waterfront	4,245	574,428	-3%	17,500	13,626	31,126	-2%	135.32	7.33	6,963,005	75%	210,000	166,447	376,447	56%	1640.28	88.68
SUBTOTAL:		$1,840,734	-7%	$94,311	$39,351	$133,672	1%	-	-	$21,346,674	14%	$1,050,729	$519,320	$1,670,049	16%	-	-
OTHER FOOD & BEVERAGE																	
Ferry Terminal Conference Room		1,784	-28%	798	0	798	0%	-	-	49,391	95%	9,581	0	9,581	0%	-	-
Omar's Cafe		11,264	-38%	300	0	300	0%	-	-	131,878	-31%	3,600	814	4,414	4%	-	-
Pier 1 Deli	2,120	20,131	-16%	0	1,409	1,409	-16%	9.50	0.66	249,435	-4%	15,375	4,719	20,094	-1%	117.66	9.48
SUBTOTAL:		$33,179	-25%	$1,098	$1,409	$2,507	-10%	-	-	$430,704	-10%	$28,556	$6,533	$34,089	0%	-	-
PARKING																	
Allright Parking Co.		76,129	0%	67,198	0	67,198	0%	-	-	76,129	0%	67,198	0	67,198	0%	-	-
C. M. P. Services (SWL #351)		11,356	26%	5,709	1,786	7,495	26%	-	-	131,835	182%	66,627	20,384	87,011	145%	-	-
City Parking Company (C)		0	0%	0	0	0	0%	-	-	11,368	0%	0	7,503	7,503	0%	-	-
SUBTOTAL:		$87,486	873%	$72,907	$1,786	$74,693	1169%	-	-	$219,332	369%	$133,825	$27,887	$161,712	365% (D)	-	-
EXCURSIONS/TRANSPORTATION																	
Hornblower Yachts, Inc.		650,780	11%	18,545	25,247	43,792	7%	-	-	6,255,778	-5%	219,414	215,858	435,272	-11%	-	-
SUBTOTAL:		$660,780	11%	$18,545	$26,247	$43,792	7%	-	-	$6,266,778	-5%	$219,414	$216,858	$435,272	-11%	-	-

(Continued on Next Page)

PORT OF SAN FRANCISCO: MONTHLY SALES & RENT REPORT

TENANT	AREA (GLA)	JUNE 1998 SALES	% Change (Over Prior Yr)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	% Change (Over Prior Yr.)	Sales per Sq.Ft.	Rent per Sq.Ft.	LAST 12 MONTHS (July '97 - June '98) SALES	% Change (Over Prior Yr.)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	%Change (Over Prior Yr.)	Sales/ Sq.Ft.	Rent/ Sq.Ft.
RESTAURANTS FULL SERVICE		*CENTRAL & SOUTHERN*															
Bay Corporation / Gabbiano's		235,562	-25%	11,001	4,252	15,253	-24%	-	$0.00	2,858,424	5%	132,011	54,396	186,407	5%	-	-
Blue Jeans Equities / Fog City Diner		350,603	1%	3,984	19,682	23,666	1%	-	-	4,157,654	-1%	46,098	233,784	279,882	-1%	-	-
Boondocks	2,225	18,773	18%	1,643	0	1,643	3%	8.44	0.74	217,902	11%	19,716	0	19,716	3%	97.93	8.86
Bo's Bounty Bar & Grill	6,506	14,116	13%	1,566	0	1,566	3%	2.17	0.24	140,903	12%	18,747	0	18,747	3%	21.66	2.88
Jelly's - A Dance Cafe	2,287	36,170	-7%	2,604	791	3,395	-7%	15.82	1.48	396,561	-1%	30,615	6,999	37,614	1%	173.40	16.45
Pier 23 Cafe	4,835	246,360	-3%	10,963	6,283	17,246	-3%	50.95	3.57	2,331,467	-7%	131,556	47,231	178,787	2%	482.21	36.98
The Ramp Restaurant		151,670	-19%	4,850	2,114	6,964	-21%	-	-	1,243,120	-7%	56,511	18,628	75,139	-3%	-	-
Red's Java House	772	13,970	12%	806	172	978	12%	18.10	1.27	147,773	1%	9,672	923	10,595	2%	191.42	13.72
Samos Restaurant		161,682	0%	9,906	1,774	11,680	0%	-	-	1,318,018	0%	89,154	11,067	100,221	0%	-	-
Ship Restaurant		6,427	-74%	2,871	0	2,871	0%	-	-	123,878	-28%	34,457	0	34,457	0%	-	-
Sinbad's		143,767	-16%	14,208	0	14,208	0%	-	-	1,878,961	-6%	170,496	1,319	171,815	1%	-	-
Waterfront	4,245	591,017	158%	17,500	23,871	41,371	158%	139.23	9.75	3,973,859	30%	122,500	156,538	279,038	29%	936.13	65.73
SUBTOTAL:		$1,970,117	23%	$81,902	$58,939	$140,841	27%	-	-	$18,788,620	11%	$861,533	$530,886	$1,392,418	14%	-	-
OTHER FOOD & BEVERAGE																	
Ferry Terminal Conference Room		2,464	40%	798	0	798	0%	-	-	25,302	7%	9,581	0	9,581	0%	-	-
Omar's Cafe		18,144	96%	300	0	300	-15%	-	-	192,497	116%	3,600	661	4,261	-55%	-	-
Pier 1 Deli	2,120	24,093	-7%	1,662	24	1,686	-7%	11.36	0.80	258,574	-3%	19,945	438	20,383	0%	121.97	9.61
SUBTOTAL:		$44,701	21%	$2,760	$24	$2,784	-6%	-	-	$476,373	25%	$33,126	$1,099	$34,225	-13%	-	-
PARKING																	
Allright S.F., Inc. (Lots D/Folsom N.)		116,802	0%	0	78,841	78,841	0%	-	-	895,444	0%	0	565,674	565,674	0%	-	-
Allright S.F., Inc. (Bayside Shuttle Lot)	-	42,565	23%	25,000	3,731	28,731	15%	-	-	415,735	-7%	300,000	7,735	307,735	0%	-	-
Allright S.F., Inc. (Broadway/Emb.)		15,412	0%	4,000	3,201	7,201	0%	-	-	27,063	0%	8,000	5,133	13,133	0%	-	-
Allright S.F., Inc. (Pier 30)		2,680	0%	0	905	905	0%	-	-	5,240	0%	0	1,769	1,769	0%	-	-
C. M. P. Services (SWL #351)		8,988	0%	5,500	432	5,932	0%	-	-	46,812	0%	33,000	2,516	35,516	0%	-	-
Central Parking System		52,470	0%	35,083	0	35,083	0%	-	-	162,253	0%	105,249	2,548	107,797	0%	-	-
SUBTOTAL:		$238,917	689% (E)	$69,583	$87,110	$156,693	627%	-	-	$1,652,547	246%	$446,249	$585,375	$1,031,624	237%		
EXCURSIONS/TRANSPORTATION																	
Hornblower Yachts, Inc.		588,112	24%	18,024	22,877	40,901	5%	-	-	6,585,225	9%	215,204	274,433	489,637	2%	-	-
SUBTOTAL:		$588,112	24%	$18,024	$22,877	$40,901	5%	-	-	$6,585,225	9%	$216,204	$274,433	$489,637	2%	-	-

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Revised 9/4/97

PORT OF SAN FRANCISCO — MONTHLY SALES & RENT REPORT

CENTRAL & SOUTHERN

TENANT	AREA (GLA)	JUNE · 1997 · SALES	% Change (Over Prior Yr)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	% Change (Over Prior Yr.)	Sales per Sq.Ft.	Rent per Sq.Ft.	LAST 12 MONTHS (July '96 - June '97) SALES	% Change (Over Prior Yr.)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	%Change (Over Prior Yr.)	Sales/ Sq.Ft.	Rent/ Sq.Ft.
RESTAURANTS · FULL SERVICE																	
Bay Corporation / Gabbiano's		312,965	24%	11,001	9,196	20,197	23%	-	-	2,730,852	19%	132,011	46,220	178,231	13%	-	-
Blue Jeans Equities / Fog City Diner		347,971	-4%	3,794	19,694	23,488	-4%	-	-	4,205,729	0%	44,442	239,438	283,880	0%	-	-
Boondocks	2,225	15,929	-35%	1,593	-	1,593	-8%	7.16	0.72	195,862	-8%	19,118	-	19,118	1%	88.03	8.59
Bo's Bounty Bar & Grill	6,506	12,523	36%	1,521	-	1,521	3%	1.92	0.23	126,347	-3%	16,209	-	16,209	3%	19.42	2.60
Jelly's - A Dance Cafe	2,267	38,758	39%	2,513	1,119	3,632	46%	16.95	1.59	399,101	26%	29,207	8,216	37,423	23%	174.51	16.36
Mission Rock Resort		34,371	-15%	745	1,746	2,491	-15%	-	-	362,282	-8%	8,934	16,860	25,794	-7%	-	-
Peer Inn (closed for remodeling)	2,629	-	-100%	-	-	-	-100%	-	-	188,849	-29%	-	13,079	13,079	-29%	71.07	4.97
Pier 23 Cafe	4,835	254,024	-4%	10,963	6,620	17,783	-4%	52.54	3.68	2,511,372	9%	77,926	97,874	175,800	8%	519.42	36.36
The Ramp Restaurant		186,761	5%	4,654	4,153	8,807	9%	-	-	1,339,021	7%	55,265	22,558	77,823	-7%	-	-
Red's Java House	772	12,426	4%	750	120	870	4%	16.10	1.13	148,748	9%	9,000	1,347	10,347	9%	190.09	13.40
Ship Restaurant		24,910	-8%	2,671	-	2,671	-	-	-	171,701	18%	34,457	-	34,457	-	-	-
Sinbad's		170,374	-5%	14,208	-	14,208	3%	-	-	1,998,835	7%	189,422	539	189,961	3%	-	-
Waterfront	4,245	226,779	-19%	5,000	11,015	16,015	-13%	53.89	3.77	3,058,634	3%	172,660	43,905	216,565	12%	720.53	51.02
SUBTOTAL:		$1,639,791	-3%	$59,813	$53,863	$113,476	0%	-	-	$17,433,333	6%	$770,649	$490,036	$1,260,686	5%	-	-
OTHER FOOD & BEVERAGE																	
Ferry Terminal Conference Room		1,766	-29%	798	-	798	-	-	-	23,723	-17%	9,581	-	9,581	0%	-	-
Omar's Cafe		9,278	-7%	300	51	351	-68%	-	-	88,946	-15%	9,062	433	9,495	-24%	-	-
Pier 1 Deli	2,120	25,941	6%	1,603	213	1,816	6%	12.24	0.86	266,984	1%	19,237	1,054	20,291	2%	125.94	9.57
SUBTOTAL:		$36,985	-0%	$2,701	$264	$2,965	-18%	-	-	$379,653	-4%	$37,880	$1,487	$39,367	-6%	-	-
PARKING																	
Allright S.F., Inc.		1,112	-50%	-	751	751	-50%	-	-	38,934	94%	-	26,281	26,281	94%	-	-
Allright S.F., Inc. (Bayside Shuttle Lot)		34,677	24%	25,000	-	25,000	33%	-	-	448,378	27%	265,000	41,252	306,252	28%	-	-
SUBTOTAL:		$35,789	19%	$25,000	$751	$25,751	27%	-	-	$487,312	31%	$265,000	$67,533	$332,533	32%	-	-
EXCURSIONS/TRANSPORTATION																	
Hornblower Yachts, Inc.		472,597	0%	17,482	21,460	38,942	10%	-	-	6,059,113	-4%	205,854	275,021	480,875	7%	-	-
SUBTOTAL:		$472,597	0%	$17,482	$21,460	$38,942	10%	-	-	$6,059,113	-4%	$205,854	$275,021	$480,875	7%	-	-

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MONTHLY SALES & RENT REPORT

FISHERMAN'S WHARF

TENANT	AREA (GLA)	JUNE · 1996 · SALES	% Change (Over Prior Yr)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	% Change (Over Prior Yr.)	Sales per Sq.Ft.	Rent per Sq.Ft.	LAST 12 MONTHS (July '95 - June '96) SALES	% Change (Over Prior Yr.)	MINIMUM Rent	Percentage Rent (over Minimum)	TOTAL RENT	%Change (Over Prior Yr.)	Sales/ Sq Ft	Rent/ Sq Ft
RESTAURANTS · FULL SERVICE																	
Alioto's		705,198	40%	10,812	26,317	37,129	39%	-	-	6,896,208	20%	129,745	234,605	364,350	20%	-	-
Castagnola's		341,852	29%	13,084	9,765	22,849	28%	-	-	3,174,612	5%	157,007	57,264	214,271	20%	-	-
Fisherman's Grotto #9		622,756	13%	18,083	22,474	40,557	12%	-	-	8,111,842	-3%	216,991	181,241	398,232	16%	-	-
Franceschi, Lena		94,164	120%	2,359	4,428	6,787	111%	-	-	857,891	41%	28,305	19,962	48,267	52%	-	-
Franciscan Restaurant		39,972	-90%	12,531	-	12,531	-55%	-	-	3,781,650	-2%	150,369	124,974	275,343	17%	-	-
Nick's Lighthouse		276,230	23%	1,503	16,452	17,955	23%	-	-	2,666,161	-0%	18,036	155,270	173,306	20%	-	-
Pompei's Grotto		221,002	23%	7,234	7,684	14,918	23%	-	-	2,222,020	11%	86,809	63,180	149,989	34%	-	-
Sabella & La Torre		339,615	18%	1,602	20,527	22,129	18%	-	-	3,478,453	15%	19,219	203,658	222,877	35%	-	-
Scoma's		1,130,291	7%	13,379	53,079	66,458	7%	-	-	12,128,239	1%	160,547	554,226	714,773	1%	-	-
SFO Forecast, Inc.**		-	-	3,174	-	3,174	-	-	-	-	-	6,348	-	6,348	-	-	-
Tarantino's		294,528	31%	7,933	11,250	19,183	31%	-	-	2,526,660	10%	95,194	69,378	164,572	29%	-	-
SUBTOTAL:		$4,065,608	9%	$91,694	$171,876	$263,670	13%	-	-	$43,841,536	5%	$1,068,570	$1,863,758	$2,732,328	16%	-	-
OTHER FOOD & BEVERAGE																	
Alioto/Expo		426,963	23%	9,534	12,429	21,963	24%	-	-	3,956,095	7%	114,410	88,803	203,213	8%	-	-
Boudin's (Gelardi's)		170,599	17%	1,645	6,887	8,532	17%	-	-	1,648,236	27%	19,740	62,745	82,485	27%	-	-
Lou's Pier 47		120,421	1%	2,466	5,887	8,353	-1%	-	-	1,247,559	23%	29,597	56,756	86,353	22%	-	-
Patio Sandwich Shop		37,570	101%	158	3,059	3,217	94%	-	-	232,300	45%	1,897	18,081	19,978	43%	-	-
SUBTOTAL:		$755,553	20%	$13,803	$28,262	$42,065	20%	-	-	$7,084,190	15%	$165,644	$226,385	$392,029	16%	-	-
PARKING																	
Franciscan Parking		49,334	-31%	7,889	24,671	32,560	-30%	-	-	645,809	-9%	93,784	331,630	425,414	-8%	-	-
SUBTOTAL:		$49,334	-31%	$7,889	$24,671	$32,560	-30%	-	-	$645,809	-9%	$93,784	$331,630	$425,414	-8%	-	-
EXCURSIONS/TRANSPORTATION																	
Ananda , Rama (Pedicabs)**		-	-	100	-	100	-			-	-	1,200	-	1,200	-		
Barbary Coast Pedicabs		8,613	12%	600	520	1,120	12%	-	-	82,215	21%	7,200	4,108	11,308	8%	-	-
Golden Bay Tours**		-	-	4,097	-	4,097	2%			-	-	49,164	-	49,164	2%		
Grosvenor Bus Line (Grayline Tours)		82,010	-18%	17,003	-	17,003	-	-	-	954,711	11%	204,026	-	204,026	2%	-	-
Red & White Fleet		901,243	36%	24,285	38,802	63,087	36%	-	-	7,855,365	11%	291,420	266,048	557,468	13%	-	-
Waterfront Horse Carriage Service***		8,323	-	1,100	232	1,332	-	-	-	47,736	-	11,852	423	12,275	-	-	-
SUBTOTAL:		$1,000,189	30%	$47,185	$39,554	$86,739	26%	-	-	$8,940,027	12%	$564,862	$270,579	$835,441	11%	-	-
RETAIL SHOPS																	
Coast Marine & Industrial Supply		7,165	-9%	6,743	-	6,743	13%	-	-	94,914	9%	76,404	-	76,404	6%	-	-
Cory Gallery		31,228	239%	3,749	-	3,749	-	-	-	193,663	-22%	44,983	-	44,983	-1%	-	-
Cresci Brothers		118,356	18%	627	7,162	7,789	18%	-	-	1,245,141	11%	7,526	74,411	81,937	30%	-	-
Eleanor & Barney Silver		13,635	75%	170	1,534	1,704	75%	-	-	111,296	51%	2,039	11,875	13,914	49%	-	-
Frank's Fisherman's Supply		41,921	-3%	2,384	1,808	4,192	-3%	-	-	533,050	1%	28,607	24,691	53,298	1%	-	-
Guardino's Souvenir & Gift		233,094	50%	798	16,184	16,982	51%	-	-	1,981,293	18%	9,578	133,807	143,385	49%	-	-
Maskell, Don		155,076	29%	7,717	6,252	13,969	29%	-	-	1,427,597	13%	86,241	45,287	131,528	11%	-	-
Woods Associates		15,084	-49%	138	1,370	1,508	-49%	-	-	313,141	-9%	1,661	29,651	31,312	-9%	-	-
SUBTOTAL:		$615,559	30%	$22,326	$34,310	$58,636	21%	-	-	$5,900,295	10%	$257,039	$319,722	$576,761	17%	-	-

Department of Public Health

SAN FRANCISCO MENTAL HEALTH BOARD

1380 Howard Street, Suite 510
San Francisco, CA 94103
(415) 255-3474 fax: 255-3760
mhb@igc.org
www.sfgov.org/mental_health

DOCUMENTS DEPT.

JUL 9 - 2004

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MEETING OF THE MENTAL HEALTH BOARD

Wednesday, July 14, 2004
1380 Howard, Room 537
6:30 p.m.

AGENDA

Public comments will be taken for each agenda item.

1.0 CALL TO ORDER AND CONSENT CALENDAR (5 minutes)
For discussion and proposed action.

1.1 Call to Order and Announcements from the Chair

1.2 Consent Calendar

1.2.a PROPOSED ACTION: Be it resolved that the minutes of the Mental Health Board meeting of June 9, 2004, be approved as submitted.

1.2.b PROPOSED ACTION: Be it resolved that the Mental Health Board grants leaves of absence for the meeting of July 14, 2004, to the following members: Sandy Yuen, Bob Dougla-

2.0 PRESENTATION: Public Schools and Mental Health Services (45 minutes)

Commissioner Heather A. Hiles, Board Of Education

2.1 Discussion of Possible Future Actions Related to Presentation (10 minutes)

3.0 DIRECTORS REPORTS (25 minutes)
For discussion.

3.1 Report from the Director of Community Mental Health Services
A report on the activities and operations of Community Mental Health Services, including budget, planning, policy, and programs and services.

3.2 Report from the Executive Director of the Mental Health Board
A report including updates and announcements regarding the activities and operations of the Board.

4.0 MENTAL HEALTH BOARD COMMITTEES (25 minutes)
For discussion and proposed action

4.1 Report of the Chair of the Board and Executive Committee
The Chair will report discussions and actions of Executive Committee.
Discussion of budget policy and strategy.

5.0 NEW BUSINESS (5 minutes)
Suggestions for future agenda items or issues the Board might consider looking into.

6.0 PUBLIC COMMENT (5 minutes)
This is an opportunity for members of the public to address the Mental Health Board on items of interest to the public that are within the subject matter jurisdiction of the Mental Health Board. Additionally, public comments will be taken for each agenda item.

7.0 ADJOURNMENT

DISABILITY ACCESS

1. American Sign Language interpreters and/or a sound enhancement system will be available on request. Please contact Ladonnis Elston at (415) 255-3444 (voice) or (415) 255-3449 (TTD). Five days notice before the meeting will help to ensure the presence of an ASL interpreter or sound enhancement system. Large print copies of the agenda will be made available upon request; please call (415) 255-3474.

2. Meetings are held at 1380 Howard Street (corner of 10th Street), in Room 537. The closest accessible BART station is the Civic Center station, at the intersection of Market, Grove and Hyde Streets. The closest Muni Metro station is the Van Ness Station. Accessible MUNI lines serving the location are the 9 San Bruno, 47 Van Ness, and the 72 Haight/Noriega. For more information or updates about the current status of MUNI accessible services, call (415) 923-6142. For information about Paratransit Services call (415) 351-7000.

3. The main entrance to 1380 Howard is accessible to wheelchairs. Elevators, doorways, restrooms, and the meeting room are wheelchair accessible. Accessible curbside parking has been designated on Grace Alley which runs on the opposite side of the building from 10th Street.

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Donna Hall
Sunshine Ordinance Task Force
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689
Telephone: (415)554-7724
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E-mail: Donna_Hall@ci.sf.ca.us

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JULY 13, 2004
MINUTES OF THE MEETING

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MEMBERS, PORT COMMISSION

HON. WILFRED HSU, PRESIDENT
HON. MICHAEL HARDEMAN, VICE PRESIDENT
HON. KIMBERLY BRANDON
HON. SUE BIERMAN
HON. ANN LAZARUS

MONIQUE MOYER, EXECUTIVE DIRECTOR

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE REGULAR MEETING
JULY 13, 2004

1. CALL TO ORDER / ROLL CALL

Commission President Wilfred Hsu called the meeting to order at 3:10 p.m. The following Commissioners were present: Wilfred Hsu, Kimberly Brandon and Ann Lazarus. Commissioners Hardeman and Bierman were not present.

2. APPROVAL OF MINUTES - June 22, 2004 Meeting

ACTION: Commissioner Brandon moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor; the minutes of the June 22, 2004 meeting were adopted.

3. EXECUTIVE

A. Executive Director's Report. Executive Director Monique Moyer reported the following:

- City Budget Process: The Board of Supervisors Budget Committee has now reviewed the Port's budget a second time. Harvey Rose recommended several cuts to the Port's budget and the committee accepted half of those in the amount of $500,000. Subsequent to that, Supervisor Sandoval and the rest of the committee reallocated $200,000 of the $500,000 for two purposes: (1) youth employment along the waterfront and (2) environmental issues particularly as it relates to the work of Cruise Terminal Environmental Advisory Committee (CTEAC). The budget is currently at the full Board for a first reading; a second reading will follow. The Mayor is obligated under the Charter to sign the City's budget by August 1st.

- 4th of July Weekend Activities. Approximately 250,000 people enjoyed music and fireworks at both Pier 45 and Aquatic Park on July 4th. She thanked Martha Cohen of the SF Special Events Committee, the SF Police Department, SF Fire Department, Department of Parking & Traffic, Muni, National Park Service, California Highway Patrol and sponsors including Clear Channel and KTVU TV for all their efforts. The event was a great success.

- July 1st - Transportation Security Administration Port Deadline. On July 1, 2004, new security measures went into effect as imposed by the Transportation Security Administration. The Port is in compliance with those measures. There is an increased awareness about the issues as well as increased standards. Staff will continue to work with the TSA as things evolved.

Commissioner Brandon inquired about the number of youths the Port would be able to hire and when. Ms. Moyer replied that the magic would also be how the hiring of

the youths would work with respect to the bargaining agreements. The Supervisors' goal is that youth employment would begin this summer continuing throughout the year and through the holidays. If the bargaining agreements are reopened this summer, the Port will miss the opportunity. Staff estimates that the Port could probably hire one youth per $1,000. It's the intent of the Mayor's budget office and others that the Port would enter into an MOU with other City departments or be able to work with an existing community based organization which raises sole source contract issues. Staff is still working out all of the details and hopes that it would be done in a manner that could be of assistance this summer.

4. ADMINISTRATIVE SERVICES

A. Request for approval of the Refinancing of Series 1994 Port Revenue Bonds. (Resolution No. 04-58)

Tina Olson, Deputy Director of Administration, indicated that the Port is refinancing its 1994 Revenue Bonds. Staff is requesting authorization to issue the sale of the 2004 Bonds in an amount not to exceed $25 million to refinance the $23,175,000 outstanding Port Revenue Refunding Bonds, Series 1994. While staff expects to issue $20,930,000 in bonds, the added authorization gives the Port some flexibility to account for any changes in the market conditions.

Refunding the bonds would provide economic savings to the Port. The interest rates are currently at 3.26%. The interest rate for the 1994 bonds was 5.733%. Under current market conditions, the Port could issue approximately $20,930,000 to refund the $23,175,000 in outstanding 1994 bonds, achieving approximately $905,653 or 3.9% in net present value debt service savings. On an annual basis, the Port's budget is going to be reduced by $400,000 in the current year and up to $900,000 in subsequent years. The reason why there's a difference between the net present value of $900,000 and a much more significant reduction in the annual budget is that the Port is going to be taking approximately $3.2 million of its existing bond reserved fund and use it to reduce the existing debt. The overall savings over the five-year period will be approximately $900,000 in net present value. Staff expects to receive the credit ratings this Friday or next Monday. Staff has been working with the rating agencies to answer any questions they may have. Staff is in the process of completing the Port's Preliminary Statement (POS). The Commission was provided a draft copy of the POS which has been revised since it was released. The Port will receive the pricing for the bonds the week of July 19, closing on August 12, and full redemption of the bond on August 20. Staff will report back to the Commission on the actual interest rate and the amount of bonds refinanced. Ms. Olson introduced Peter Wong, one of the underwriters from Siebert Brandford and Shank and Bob Cornwell from CSG.

ACTION: Commissioner Brandon moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor; Resolution No. 04-58 was adopted.

5. ENGINEERING & MAINTENANCE

A. Reconsideration and authorization to amend Contract No. 3048-03/04 with Literacy for

Environmental Justice to provide education and public participation programs at Heron's Head Park located at Pier 98. (Resolution No. 04-59)

Assistant Deputy Director Carol Bach mentioned that this item was heard at the last meeting. She provided the Commission additional information relevant to the discussions regarding soil ingestion rates by children's exposure to the soil. The State and Federal EPA adopted recommended values for risk assessors to use as ingestion rates for when children are exposed to soil. Those ingestion rates were based on imperical studies of how much soil children eat when they are playing on their own backyards. Those children may or may not be washing their hands and are not taking any particular precautions they wouldn't ordinarily take at home and are not subject to any kind of restrictions about the way they play. Regarding the information about how much soil kids eat when they are playing in soil, the EPA takes a number at the upper end of the range of values that are found and issued that as their recommended default values for ingestion rates. The scientist who performed the human health risk assessment at Heron's Head Park (HHP) actually used twice that value in order to make a more protective assumption about how kids could possibly be exposed. The calculated risks associated are still well below levels that would be of concern. She also pointed out that the studies that the rates are based actually take into account soil that is brought into the home through clothes and shoes that the children are wearing while they are playing. Ms. Bach indicated that the excerpts from letters she received from people who use HHP are attached to the staff report to give the Commission feedback about the considerable investment that the Port made at HHP five years ago and the investment the Port makes every year in the ongoing care and maintenance of the park.

Commissioner Hsu indicated that Item 5A is being brought back to the Commission due to concerns of the City's Sunshine Ordinance. The Commission is reconsidering this item which was carried over from the last meeting.

Ms. Espanola Jackson, Bayview Hunter's Point (BVHP) resident, indicated that a year and a half ago, she learned about a facility that will be built at HHP for the children. She has lived at BVHP since 1948. She knows the area very well. Most people who come to that community do not know what was there prior to the 1930's and 1940s. Most of BVHP is land fill. Before 1972, when the law was passed and EPA came on line in 1975/76, things were still being dumped into the bay. From 1991 to 1996, Earth Day was held at BVHP. It was a success because they informed people where all the toxic areas were in BVHP. A lot of people did not know that the state park near Candlestick Park used to be the garbage dump, a toxic site. The parking lot area is also toxic. Right across from Gilman Park is a church which used to be the bay. In 1991, students and scientists came to BVHP and tested the area and found mercury, lead, asbestos and radiological elements. Everything was being dumped at BVHP in the 1940s, 50s, 60s, 70s and 80s. She has no doubt that activity exists even now, especially at night when people are not watching. There's acid and chrome in that area. She has spoken to LEJ and informed them that the site is a toxic dump and asked them not to take children to that area. The funds that were allocated from PG&E ($30 million) were for BVHP and Potrero Hill. Those funds were earmarked for the BVHP youth services and not for McClaren Park where they plan to build the facility. The BVHP residents do not want to see the money designated for their neighborhood go to McClaren Park.

Francisco Da Costa, Director of Environmental Justice Advocacy, indicated that at the last meeting, he stated that Heron's Head Park (HHP) is just 75 feet away from a 60-year old power plant that spews thousand tons of toxins such as lead, mercury and pathogens into the air. One need not be a rocket scientist to figure it out. Time and time again, he expressed that children should not be taken to Chernobyl, to a toxic dump. He wrote a letter to the Editor of the Chronicle two days ago stating the same thing. He begged the Commission again not to allow the children to go to the toxic dump and not to listen to people about their investment at the park. They have invested wrong. LEJ made some serious mistakes and they continue to do so. The community does not approve of their children going to the toxic dump.

Bill Carlin indicated that he first became aware of the controversy over LEJ when they attempted to move a facility intended for BVHP over to the Portola/Excelsior district of the City. Listening to the comments of the two previous speakers, it's problematic and questionable that the Port would allow children to be brought into a toxic dump for recreation or for education. The attempt of the organization to move $1.5 million out of BVHP in order to build a show place for their own edification speaks to the integrity of the organization which is applying for this grant.

Commissioner Brandon indicated that there are two separate issues in this matter: (1) The money that the City is giving to LEJ which the Port has no control over unless it was going to be built at HHP. Because LEJ had so many problems with being able to build the facility at HHP, they are trying to move it somewhere else. BVHP residents have said they didn't want it at HHP. Now, they want the money but the Port has no jurisdiction over it after it moves from HHP. (2) Representatives from the Health Department and others who conducted the tests testified that they either found none or a small percentage of the toxins to be of concern or harmful to the visitors and users of the park if they are only looking at the wildlife or plants. There are other parks in the area of the PG&E plant, in the area of the water where people take their kids. There are no solid facts from the health department or other agencies indicating that it is still a toxic dump. The Port has put a lot of money into creating, cleaning, and maintaining the park.

Commissioner Lazarus indicated that the matter before the Commission is a request to extend the existing contract for a few months and allow staff to commence work on the RFP process. She will put her faith in what she is hearing about the environmental situation. She believes that staff would not have initiated this project in the first place if it hadn't been proven to be safe. She's inclined to assume that the situation has not changed. She reiterated that since the existing contract is about to expire, staff is seeking to extend the contract and then proceed with the RFP process.

Commissioner Hsu echoed his fellow Commissioners comments. The Commission has the same concerns as the speakers who spoke on this subject and the people who are concerned about environmental health and issues regarding this area that allegedly used to be a toxic dump. The Commission is not putting the blanket over anybody's eyes. The Commission is not blind. They are proceeding with caution. He urged Ms. Bach to look into it again and again to make sure that all issues are covered. He understands that some of the toxins have been cleaned up and the site has been covered over by a blanket of dirt. This area is not Chernobyl; it is not radioactive. If people dig down and ingest the dirt, it

may cause harm over a long-term exposure. It's his understanding that if the visitors and users of the park would just play on it, walk on it and don't take a shovel to the ground, it does not present danger. As Commissioner Lazarus has pointed out, staff is only seeking extension of the existing contract. He assured the public that the Port will continue to look at the toxic situation at HHP. The Commission is torn about dissolving the program. If it does, the children are not going to have a program. If it doesn't, the Commission is concern that with all good intentions, it may be exposing the children to something bad. However, he reassured everybody that the Port is not done with looking at this issue. The Port will continue to investigate.

Ms. Carol Bach clarified people's misunderstanding regarding the cover at HHP. The studies done at the park before it was built showed that the soil did not contain contaminants at significant concentrations that were likely to pose a risk. Underneath the surface soil was a layer of municipal garbage, paper, green waste, food waste, wood, organic things that decompose. When they decompose, they release ammonia which is not tremendously toxic to people but it is to aquatic life. The purpose of the cap was to prevent rainwater from infiltrating through and travelling out to the groundwater into the bay and not to protect people from any contaminants because none were found at significant concentrations to pose risk.

ACTION: Commissioner Brandon moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor; Resolution No. 04-59 was adopted.

B. Request for authorization to amend contract with Philip Services Corporation for disposal of hazardous waste. (Resolution No. 04-60)

Assistant Deputy Director Carol Bach indicated that the Port generates hazardous waste through its own operations: changing light bulbs, changing oil, using paint, generating empty containers that used to hold compressed gas or solvents, etc. Staff also collects hazardous waste abandoned on Port property and hazardous waste abandoned by Port tenants. The Port's hazardous waste disposal cost average about $50,000 a year. This amount has been appropriated in the operating budget for the last 4-5 years. In February 2004, staff executed a contract with Philip Services Corporation for hazardous waste disposal at a not-to-exceed amount of $50,000. The Port has spent $50,000 to dispose of hazardous waste generated up through May 2004. Ms. Bach requested Commission's authorization to amend the contract to an amount not to exceed $100,000 but not extend the term of the contract. The Port will go out to bid at the end of the calendar year.

ACTION: Commissioner Brandon moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor; Resolution No. 04-60 was adopted.

6. REAL ESTATE

A. Reconsideration and approval of a five-year lease with Delancey Street Foundation, Inc. for space located at Seawall Lot 349, Building 117 on Michigan Street between 20th Street and 21st Street. (Resolution No. 04- 61)

Assistant Deputy Director Mark Lozovoy indicated that Delancey Street Foundation

currently operates a moving and storage operation at Pier 36. The original term of that lease was for five years. Delancey is currently on a month-to-month holdover tenancy. Pursuant to the Port's structural facility condition survey policy, a rapid structural assessment at Pier 36 was performed by the Port's structural engineering group. Inspection findings cited several portions of Pier 36 to be unsafe and incapable of carrying five loads associated with current use. The Acting Chief Engineer made a determination and under the recommendation of the structural engineering group to discontinue the use of Pier 36 and commence the process of vacating the pier. On June 3, 2004, the Port sent Delancey a 30-day notification to vacate the pier. Port staff and Delancey have located an acceptable location site at SWL 349, Building 117. The premises is approximately 31,440 s.f. of shed space and an estimated 40,000 s.f. of yard space. The use is for storage and moving of equipment and materials. Last Friday, Delancey Street notified the Port that it would not be parking their trucks or using trucks to this site. The term of this lease is for five years. The base rental rate is 10 cents per s.f. for both interior and exterior space. The total estimated rent is $7,144.00 a month, $85,000 a year. There is rent abatement included in the lease for 30 days beginning June 3, 2004. Last night, staff met with the Pier 70 CAC group and they unanimously approved the five-year lease.

Joe Boss indicated that at the last meeting, he expressed his concern that this item had not been properly presented to the CAC group. He commended the Port Director and staff for figuring out that they made a little mistake and convened a meeting of the group. This was never intended to be an attack on Delancey or Port staff. He believes that the proper order of how things are examined and brought to the public is now in place.

Commissioner Lazarus asked about the timing of the lease and the liability issue. They were given the 30-day notice on June 3rd and the Commission is just approving the lease now. She understands that they have some issues about how quickly they can move 15 years worth of accumulated materials out of the site. Mr. Lozovoy replied that they have executed a 90-day license for the building in order to allow Delancey to move and get insurance in place while at the same time allow the Pier 70 CAC to comment on the lease.

Commissioner Lazarus asked about their timetable for moving from the current site. Mr. Lozovoy replied that staff is waiting for a reply to the letter sent to Delancey last week.

ACTION: Commissioner Brandon moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor; Resolution No. 04-61 was adopted.

B. Request for approval of amendment to and restatement of Lease No. L-12275 with Pier 23, Inc. for property located at Pier 23. (Resolution No. 04-62)

Asset Manager Nic Dempsey indicated that in 1993, the Port Commission through Resolution 93-52 set forth its retail leasing policy. The policy reaffirmed the Port Commission's dedication to offering opportunities for retail facilities through the competitive bid process for the purpose of attracting the greatest degree of exposure and bid receipts. In so doing, they also acknowledged that some of the Port's existing tenants may very well be the tenants the Port would want to retain. In that process, it was established that the Port could enter into direct negotiations with existing tenants for significant extensions of their lease term provided that they meet the four criteria

enumerated in the staff report. Pursuant to that policy, Pier 23 Café Inc. has approached the Port for an extension of its lease term. The Port's rapid assessment survey team conducted a survey of Pier 23 restaurant and café and the marginal wharf that is a part of that leasehold and determined that the substructure of the facility was in need of repair but not life threatening and the repair should be undertaken at the earliest possible time. In response to Pier 23 Café's request for extension of term, the Port offered that such a term would be acceptable provided that the tenant would be willing to undertake the repair of the substructure and its maintenance throughout the extended term. Pier 23 Café has agreed to that condition. As a result, Port staff and Pier 23 Café have negotiated the terms of the proposed amendment and restatement of lease that would provide for the following salient terms and conditions:

1. Parcel A: The premises would be the existing 4,388 s.f. of open pier space and restaurant now located at Pier 23. There will be no expansion of the existing restaurant.
2. Parcel B: A non-exclusive license to occupy approximately 3,750 s.f. of marginal wharf between Pier 23 Café and Pier 27 shed facility.
3. As a part of the proposed Mills project, a portion of Parcel B now affected by the existing Pier 23 lease is anticipated to be delivered either to the developer or to the Port for its exclusive use. As a result, the lease now provides for the future elimination of that portion of Parcel B from the Pier 23 Café premises thereby permitting the Port to move forward on the historic rehabilitation and renovation of Piers 27, 29 and 31 pursuant to the existing plan of development.
4. The term of the lease would be for 32 years and 51 weeks commencing on May 7, 1997 (the commencement date of the existing) and terminating April 30, 2030. This length of term was determined necessary to amortize the significant $1.8 - $2.3 million that would need to be invested in the pier substructure to make the existing repairs. It does not address nor is it intended to address the continuing obligation to inspect and maintain the premises throughout the intended term of the lease.
5. The base rent is $10,962.50 per month as adjusted annually by the CPI and the current base rent as adjusted from May 1, 1997 is $13,620.91.
6. Adjustment to base rent: Annually pursuant to a CPI based formula. Commencing May 1, 2007 and every 5 years thereafter, the Base Rent shall be adjusted to the greater of the Base Rent for the previous Lease Year as adjusted by the CPI or 70% of the average annual percentage rent for the three previous years. There shall be no downward adjustment in Base Rent.
7. Percentage Rent: 7% of all gross sales subject to the standard Port exclusives.
8. All taxes and assessments to be paid by tenant.
9. The Port's standard security deposit will be paid.
10. The Port will participate in any proceeds from the sale of the leasehold pursuant to standard Port lease language.
11. Tenant is responsible for all repairs and maintenance.
12. Tenant shall deliver to the Port by not later than December 31, 2004, a full inspection and repair plan for the premises. Please note that the tenant has already prepared and the Port has accepted a repair plan for the Parcel A premises. The Parcel B premises repair plan is pending approval of this extended lease.

Under the last lease extension the tenant was required to make certain capital

improvements to the facility of which one item, the kitchen remodel of about $40,000, remains outstanding. The events of the 911 and other economic downturns have caused that not to be completed on the date expected. However, the tenant has committed to making that improvement but not later than January 31, 2006. Pier 23 Café have actually indicated that they will complete it by January 31, 2005. The Port has asked for a January 31, 2006 drop-dead date upon which if the tenant has not completed it, the lease may be terminated by notice. Please note that this is not a default provision subject to cure. It is the right of the Port to terminate by notice.

Insurance liabilities have been increased from $1 million to $5 million. All of the City requirements not now in the existing lease and since passed by the Board of Supervisors have been included in the mew lease including compliance with the City's card check ordinance and the healthcare benefit ordinance as applicable. Once approved by the Port Commission, this lease must also be approved by the Board of Supervisors.

ACTION: Commissioner Brandon moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor; Resolution No. 04-62 was adopted.

7. NEW BUSINESS / AGENDA SETTING

Ms. Moyer indicated that staff will be presenting to the Fisherman's Wharf Advisory Group some of the leases that staff is working on at their July 20th meeting. Staff will then present those leases to the Commission for approval at its July 27th meeting. Staff was to present to the Commission the Interim Plan and Use Guidelines today but staff received a request to postpone the item and it should be on the agenda for July 27th. Ms. Moyer proposed the cancellation of the August 10th Commission meeting for lack of agenda items that would be ready for that meeting and because a number of staff will be on vacation. She understands that there will be a number of Commissioners on vacation for the August 24th meeting. There will be a number of items on that calendar including an informational hearing on the National Historic District Nomination. She asked the Commission if they wish to postpone that hearing to the first meeting in September since Commissioners Brandon and Lazarus will be on vacation on August 24th. Simultaneous to the action of the National Historic District Nomination, staff will also present to the Commission the proposed surplus property policy for Commission's approval.

Commissioner Brandon supports canceling the August 10th meeting. Commissioners Hsu and Lazarus concurred.

Ms. Moyer asked if the Commission would like to postpone the informational hearing of the National Historic District to the first meeting in September. Commissioner Lazarus replied that since she will be on vacation on August 24th, she would prefer to have the hearing at the first meeting in September if it does not affect the process. Ms. Moyer confirmed that it would not affect the process. Staff will hold the hearing on September 14th.

8. PUBLIC COMMENT

9. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner Brandon moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

At 3:55 p.m., the Commission withdrew to executive session to discuss the following:

B. CLOSED SESSION

(1) PUBLIC EMPLOYEE APPOINTMENT/DISMISSAL/RESIGNATION – This is specifically authorized under California Government Code Section 54957.

- Consideration and Possible Action on Public Employee's Appointment/ Dismissal/Resignation – Deputy Director of Port (No. of Employees Affected 4).

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. ***This session is closed to any non-City/Port representative. ****

a. Property: Pier 47
Person Negotiating: Port: Ken Winters, Director of Real Estate
*W.F. Alber, Inc.: Donald Alber

b. Property: The Embarcadero Hotel, at Embarcadero and Broadway
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Stanford Hospitality, Inc: Antony Carter

c. Property: Pier 15 and 17 (at Embarcadero)
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Exploratorium: Dr. Goéry Delacôte

d. Property: Piers 27-31
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Piers 27-31 LLC: Steve Jacobsen

9. RECONVENE IN OPEN SESSION

At 5:52 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn executive session and reconvene in open session; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon made a motion to disclose that the Port Commission approved the release of Alexander Lee from his position as Deputy Director of the Port effective August 31, 2004 and not to disclose any other information discussed in

executive session. Commissioner Lazarus seconded the motion.

10. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

Commission President Wilfred Hsu adjourned the meeting at 5:54 p.m.

SAN FRANCISCO PORT COMMISSION

Wilfred Hsu, President
Michael Hardeman, Vice President
Kimberly Brandon, Commissioner
Sue Bierman, Commissioner
Ann Lazarus, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax: 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax: 415-274-0412

AGENDA

REGULAR MEETING

3:00 P.M., TUESDAY, JULY 27, 2004

PORT COMMISSION HEARING ROOM, 2ND FLOOR
FERRY BUILDING, SAN FRANCISCO, CA 94111

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1. **CALL TO ORDER / ROLL CALL**

2. **APPROVAL OF MINUTES** - July 13, 2004 Meeting

3. **EXECUTIVE**

   A. Executive Director's Report
   - Port of San Francisco's Bond Update
   - Free Outdoor Concerts at Ferry Plaza
   - Grant Funding for Habitat Restoration Projects
   - Commendation for Neil Sekhri and Taline Sanassarian

4. **PLANNING & DEVELOPMENT**

   A. Request for approval of extension of Exclusive Right to Negotiate Agreement with Stanford Hospitality, Inc. for the Embarcadero Hotel Project located at Embarcadero and Broadway on Seawall Lots 323, 324 and 322-1. (Resolution No. 04-68)

5. **REAL ESTATE**

   A. Request for approval of lease of Hyde Street Fuel Dock, located in the 400 block of Jefferson Street near the intersection of Hyde Street, to G.P. Resources, Inc., doing

business as San Francisco Marine, a California Corporation, for use as a marine fueling station. (Resolution No. 04-63)

B. Request for approval of lease of a portion of Pier 45, Shed A, located at the foot of Taylor Street, to Golden Gate Scenic Steamship Corporation (Red & White Fleet), a California Corporation, for Sale of Tickets for Transportation Services and Excursions and for Public Access. (Resolution No. 04-64)

C. Request for authorization to offer through competitive bid a two-year lease for surface parking at Seawall Lot 314, located at Bay Street and the Embarcadero. (Resolution No. 04-65)

D. Request for approval of proposed terms for First Amendment to Lease No. L-13407, for premises located at 490 Jefferson Street, between the Port and S.P. Tarantino Insurance Brokerage, Inc., a California corporation, and authorization for Executive Director to execute First Amendment to Lease No. L-13407. (Resolution No. 04-66)

E. Request for approval of proposed assignment of Lease No. L-8993, for Premises located at 498 Jefferson Street, from Franceschi Corporation to Mama Franceschi's, L.P. and proposed First Amendment to Lease No. L-8993 between the Port and Mama Franceschi's, L.P., a California Limited Partnership, and authorization for Executive Director to execute Assumption and Assignment Agreement and First Amendment to Lease No. L-8993. (Resolution No. 04-67)

6. NEW BUSINESS / AGENDA SETTING

- New Business

- Agenda Setting (Targeted Commission meeting, subject to change)
  - Cancellation of August 10, 2004 Commission Meeting
  - Interim Planning and Use Guidelines (August 24, 2004)
  - Pier 80 RFP for Security (August 24, 2004)
  - Pier 43½ Arch Contract Award (August 24, 2004)
  - Port of San Francisco Embarcadero National Register Historic District (September 14, 2004 Informational Hearing and September 28, 2004 Hearing and Commission action)
  - BCDC/Fisherman's Wharf Plan (September 28, 2004)
  - Policy for Disposal of Surplus Property (September 28, 2004)

7. PUBLIC COMMENT

- Build San Francisco

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be

distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

8. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

B. CLOSED SESSION

(1) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative. *

a. Property: Pier 15 and 17 (at Embarcadero)
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Exploratorium: Dr. Goéry Delacôte

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 15 and 17 (at Embarcadero).

b. Property: Piers 27-31
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Piers 27-31 LLC: Steve Jacobsen

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Piers 27-31.

9. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

10. ADJOURNMENT

JULY/AUGUST 2004
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
July 27	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**
August 10 (*Cancelled*)	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**
August 24	**3:00 p.m.**	**Port Commission**	**Port Commission Room @ Ferry Building**

NOTES:

The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 3:00 p.m., unless otherwise noticed. ***The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com.*** Contact Amy Quesada at 274-0406.

The Brannan Street Wharf Citizens Advisory Committee meets on an as-needed basis to develop a concept plan for this planned open space in the South Beach area. Meetings are held in the Bayside Conference Room at Pier 1. Contact Dan Hodapp @ 274-0625 or dan_hodapp@sfport.com

The Cruise Terminal Environmental Advisory Committee generally meets the third week of each month. Date and time to be determined. Contact Michael Nerney at 274-0416.

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Contact Tiffany Bohee at 749-2481 for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Pier 70 Advisory Group meets monthly on an as-needed basis generally on the 2nd Wednesday of the month from 4 to 6 p.m. at the Potrero Campus of the California College of Arts and Crafts, Board Room, 1111 – 8th Street between Irvin and Hooper. Contact Mark Paez @ 705-8674.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Tiffany Bohee at 749-2481 or 749-2400 for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conference Room @ Pier 1. Contact Dan Hodapp @ 274-0625.

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ACCESSIBLE MEETING INFORMATION

Ferry Building: The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets.
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington St., Folsom St. & Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals. A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact John Scott, Port's ADA Coordinator, at 274-0571. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102, by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org. Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall, the San Francisco Public Library or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

July 21, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon., Michael Hardeman, Vice President
Hon. Kimberly Brandon
Hon. Sue Bierman
Hon. Ann Lazarus

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FROM: Monique Moyer
Executive Director M Moyer

SUBJECT: Extension of Exclusive Negotiations for Embarcadero Hotel Project at Broadway on Seawall Lots 323, 324 and 322-1

DIRECTOR'S RECOMMENDATION: AUTHORIZE AND DIRECT STAFF TO ENTER INTO EXTENSION OF EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH STANFORD HOSPITALITY, INC.

BACKGROUND

In November 1998, the Port issued a Request for Qualifications and Proposals ("RFQ/P") for the lease, development and operation of a first-class, full-service hotel on Seawall Lots 323, 324 and 322-1, plus a City-owned parcel, at the corner of Broadway and The Embarcadero (See the Site Plan, Exhibit A attached). Three respondents submitted qualifications. In March 1999 the Port Commission invited two respondents to submit proposals for the hotel by May 18, 1999. Stanford Hospitality, Inc. ("Stanford") was the only respondent to submit a proposal, which was for a 410-room hotel.

On August 10, 1999, by Resolution No. 99-62, the Port Commission authorized Exclusive Negotiations with Stanford. On November 8, 1999 Stanford and the Port executed an Exclusive Right to Negotiate agreement ("ERN") for the initial period of November 8, 1999 to May 7, 2000, with two six-month extension options. The Port authorized further extensions of the ERN while Stanford refined the project scope and design in response to community concerns. On August 1, 2002 Stanford submitted a new, smaller design concept and accompanying financial proposal. The developer reduced the hotel size to approximately 255 rooms and confined it entirely to one parcel (SWL 324), with a free-standing parking structure on SWL 322-1. On September 14, 2002 , the Port authorized a further extension of the ERN to pursue this new design, to reach agreement with the Port on new financial terms, and to undertake environmental review. The ERN will expire on July 31, 2004. For the past 22 months, Stanford has paid negotiation fees of $10,000 per month to the Port. Those amounts plus previous lump sum payments total $420,000 to the Port.

THIS PRINT COVERS CALENDAR ITEM NO. 4A

CURRENT STATUS OF THE HOTEL PROJECT

Progress has been made on the design and with the entitlement process. Stanford retained the architecture firm of Hornberger + Worstell, Inc. to redesign the hotel. The hotel still remains a first-class, full-service hotel, of 4½ star quality. It will have approximately 255 guest rooms, two restaurants, a lobby bar, gift shop, meeting rooms, banquet room, fitness center, business center and administrative offices. The advantages of the new hotel design are that it reduces the size and mass of the hotel from the original concept, eliminates the pedestrian bridge over Davis Street, combines all hotel functions on one parcel for more operational efficiency, and provides extra parking for visitors to the waterfront. The maximum height of the occupiable area of the hotel building would be 65 feet.

The project includes a parking garage on the back parcel located between Broadway and Vallejo, Davis and Front Streets (SWL 322-1) for use by hotel guests and visitors to the waterfront. The structure would contain approximately 390 self-directed parking spaces on four levels, with retail shops on the first floor along Broadway. The project also includes a waterfront garden on Parcels A, B, D and SWL 323 located at the end of Vallejo Street at the Embarcadero. This landscaped area would be available during the day for the public to use and enjoy when not being utilized by Stanford for hotel events. The City-owned parcel ("Parcel C"), located across the street from the hotel entrance on Davis Street, would be used as a surface valet parking lot.

The *Waterfront Design Advisory Committee* has reviewed the project several times and expressed its support of the design. Stanford presented the project twice to the Landmarks Preservation Advisory Board Architectural Review Committee and to San Francisco Heritage. The Conditional Use Application has been filed with the City Planning Department, and the Certificate of Appropriateness process has been initiated. Stanford has presented the project to various community groups including the Port's Northeast Waterfront Advisory Group. Although Stanford was not able to complete environmental review, all of the underlying studies for the Environmental Impact Report have been completed, and the EIR is expected to be certified by September, 2005.

Stanford and the Port negotiated new financial terms for the lease, which were memorialized in a Term Sheet in March 2003. A summary of lease terms is attached hereto as Exhibit B.

PUBLIC BENEFITS OF PROPOSED PROJECT

- Hotel and garage - Public Trust uses
- Site represents one of the few allowed and feasible sites for a hotel on Port property. Hotels are not allowed on any piers.
- Will accomplish objectives stated in Waterfront Plan including:
  1. Attract people to the Waterfront
  2. Provide public oriented uses
  3. Activate Northeast Waterfront
  4. Create an orientation point on the Embarcadero
  5. Create gateway to Chinatown and North Beach at Broadway
  6. Develop revenue-generating use on Site
- Project design complements the neighborhood and is supported by the *Waterfront Design Advisory Committee* and the Planning Department

REVISED TIMELINE

Stanford's revised development timeline sets forth the current schedule for obtaining all regulatory approvals and Commission/Board approval of the lease and development agreement. Pursuant to this timeline, staff anticipates that the Port and Stanford would execute the development agreement by the end of November 2005.

STAFF RECOMMENDATION

While Stanford has not completed all of the performance benchmarks set forth in the ERN, it has made progress in the design and in obtaining regulatory approvals for the Project. In light of such progress and the public benefits of the proposed project, Port staff recommends that the Port Commission authorize and direct the Executive Director to extend the ERN to the earlier of November 30, 2005 or the date on which the Port and Stanford enter into the development agreement for the hotel project in the form of the Fifth Amendment to the ERN on file with the Commission Secretary. The major terms of the Fifth Amendment to the ERN are as follows:

Term	16-month extension to November 30, 2005; with extension (9 month maximum) for delays to resolve any appeal of EIR to Board
Negotiation Fees	$20,000 per month during term or any extension thereof; not applicable to rent and non-refundable
Parking Demand Study Fees	Reimburse Mills Corp. for 50% of fees for Transportation and Parking Demand Study (approx. $10,000)
Street Vacations	Developer responsible for street vacations
Community Outreach	Developer to hire and retain community outreach consultant
Work Product	At termination or expiration of ERN, Developer agrees to pay for and assign or waive rights to all work product

The Fifth Amendment to the ERN must be executed prior to its expiration on July 31, 2004. Stanford has requested additional time for the attorneys to work out the specific language of the Work Product provision. Staff has agreed to make this provision a performance benchmark in the Fifth Amendment with a deadline of August 10, 2004 to negotiate the final language of this provision. If language satisfactory to Stanford, the Port's Executive Director and the City Attorney is not finalized by August 10, 2004, the ERN is terminable by the Port and there will be no cure period.

After the Port and Stanford enter into the development agreement, Stanford must obtain all regulatory approvals, complete construction documents, obtain a Port building permit, submit evidence of financing and meet other requirements before the Port will convey the lease or property.

Prepared by: Jennifer Sobol
Project Manager
Planning & Development

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-68

WHEREAS, Charter, Section B3.581grants the Port Commission the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of San Francisco; and

WHEREAS, Under Charter Section B3.581 (g), leases granted or made by the Port Commission shall be administered exclusively by the operating forces of the Port Commission; and

WHEREAS, The Port owns certain properties known as Seawall Lots 323, 324 and 322-1; and

WHEREAS, In November 1998, the Port issued a Request for Qualifications and Proposals for the lease, development and operation of a full-service, first-class hotel on said Seawall Lots; and

WHEREAS, Stanford Hospitality, Inc. ("Stanford") submitted a response to the RFQ/P on May 18, 1999 which complied with the submittal requirements stated in the RFQ/P; and

WHEREAS, Based on staff's and its own review, the Port Commission authorized the Executive Director to enter into exclusive negotiations with Stanford on August 10, 1999 (Resolution No. 99-62); and

WHEREAS, The Port and Stanford executed an Exclusive Right to Negotiate agreement ("ERN") on November 8, 1999 for a period of six months, with two six-month extension options; and

WHEREAS, Stanford exercised both extension option periods extending the ERN to May 7, 2001; and

WHEREAS, The Port Commission subsequently authorized further extensions of the ERN, pursuant to which authorizations the ERN expires on July 31, 2004; and

WHEREAS, Stanford has requested additional time to obtain the required regulatory approvals and obtain Port Commission and Board of Supervisors approval of the lease and development agreement for the proposed hotel project; and

WHEREAS, Staff recommends that the Port Commission authorize the Executive Director to extend the ERN with Stanford to November 30, 2005 by executing the Fifth Amendment to the ERN (the "Fifth Amendment") on file with the Commission Secretary; and now therefore, be it

RESOLVED, That, based on staff's recommendation and its own review, the Port Commission hereby authorizes the Executive Director of the Port to extend the ERN in substantially the form of the Fifth Amendment on file with the Commission Secretary, and in such final form as is approved by the Executive Director in consultation with the City Attorney; and, be it further

RESOLVED, That the Port Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the Fifth Amendment (including, without limitation, preparation and attachment of, or changes to, any or all of the exhibits) that the Executive Director, in consultation with the City Attorney, determines is in the best interests of the Port, do not alter the rent or the Port's projected income from the Project, and otherwise do not materially increase the obligations or liabilities of the Port or City or materially decrease the public benefits accruing to the Port, and are necessary or advisable to complete the transaction which the Fifth Amendment contemplates and effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of the Fifth Amendment and any such amendments to any such document; and, be it further

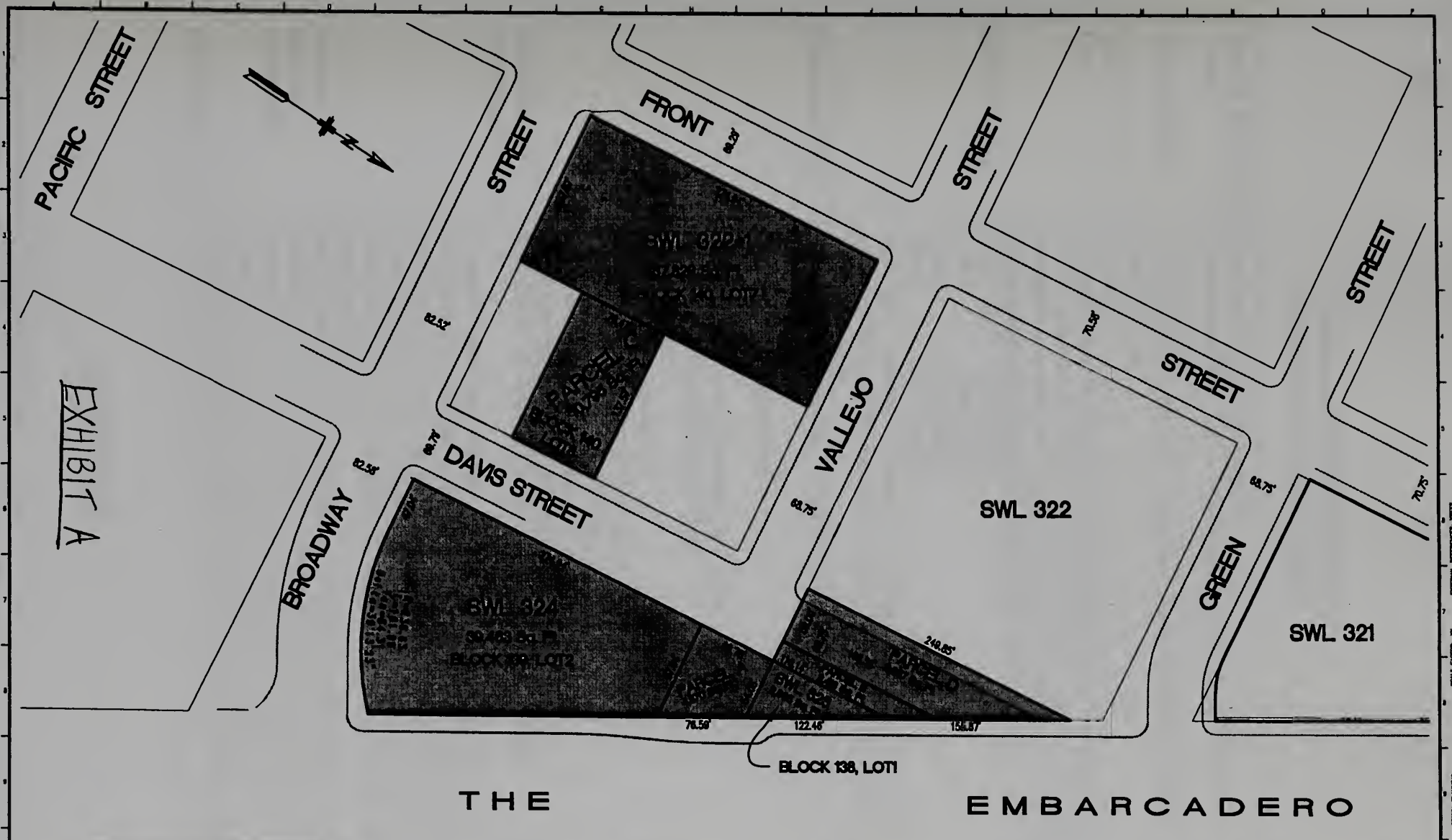
RESOLVED, That the Port Commission makes no representation and gives no assurance that the project will be ultimately accepted or approved by the Port Commission; and, be it further

RESOLVED, That the Port will not enter into a final lease that would allow for the development of the project until there has been complete compliance with the California Environmental Quality Act (CEQA).

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 27, 2004.

_____

Secretary



NO. DATE DESCRIPTION BY APP. TABLE OF REVISIONS CHECK WITH TRACING TO SEE IF YOU HAVE LATEST REVISION	REFERENCE INFORMATION & FILE NO. OF SURVEYS	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	DESIGNED: JS 10/05/05 DRAWN: AN 10/05/05 CHECKED: JS 10/05/05	APPROVED BY SAN FRANCISCO PORT COMMISSION DATE: CHIEF HARBOR ENGINEER	SCALE: 1" = 120' REV. NO. XX	EMBARCADERO HOTEL SITE FIGURE 1 - SITE PLAN	CONTRACT NO. N/A DRAWING NO. 11785-324-PL SHEET OF SHEETS PL-1 1 OF 1

Embarcadero Hotel Project
Summary of Lease Terms

Lease Terms (from Term Sheet dated March 12, 2003)	
Tenant	Embarcadero Hotel Corp. a wholly-owned subsidiary of Stanford Hospitality, Inc.
Hotel Operator	Stanford Hotels Corporation, a wholly-owned subsidiary of Stanford Hospitality, Inc.
Term	66 years
Use	A single first-class, full-service hotel containing approximately 260 rooms, one or more restaurants, meeting rooms, retail uses and other amenities commonly associated with a hotel of this size and quality, plus a parking garage containing approximately 380 self-park parking stalls
Min. Base Rent	Years 1-3 $750,000/yr Year 4 $950,000/yr Year 5 $1,150,000/yr Year 6 $1,300,000/yr Year 7-66 Annual CPI increases + adjustment of Base Rent every 20 years to greater of CPI increases or 10% of then unimproved land value, TBD by appraisal
Percentage Rent	Payable quarterly and only to extent exceeds base rent Of gross receipts after taxes: 5% of rooms 2% of food & beverage operated by Tenant 3% of food & beverage subleased out 2% of telephone 7.5% of parking operations 5% of other miscellaneous departments Of rental income received by Tenant: 10% from retail operations w/in hotel building 10% from businesses on ground floor of parking garage
Construction Period Rent	$250,000/yr, starting when Lease starts until Base Rent starts. If garage is completed within 1 year after lease commencement, annual Construction Period Rent will be $175,000, plus 7.5% of parking operations gross receipts. If garage is not completed on time, annual Construction Period Rent will be $350,000 until garage opens. When garage opens, annual Construction Period Rent will be $175,000, plus 7.5% of parking operations gross receipts.
Hazardous Materials Remediation	Stanford pays first $428,000. Port will reimburse Stanford 100% of costs between $429K and $1.26M (max.), through rent credits against percentage overage rent. If cost exceeds $1.26M, parties to get insurance. Port will reimburse Stanford 50% of insurance premium and/or 50% of cost to remediate over $1.26M, through rent credits against percentage overage rent.
Total Project Cost	Approximately $85 million

EXHIBIT B

PORT OF SAN FRANCISCO

MEMORANDUM

July 21, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon, Commissioner
Hon. Sue Bierman, Commissioner
Hon. Ann Lazarus, Commissioner

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FROM: Monique A. Moyer
Executive Director MMoyer

SUBJECT: Approve Lease of Hyde Street Fuel Dock, located in the 400 block of Jefferson Street near the intersection of Hyde Street, to G.P. Resources, Inc., Doing Business as San Francisco Marine, a California Corporation, for Use as a Marine Fueling Station

DIRECTOR'S RECOMMENDATION: APPROVE LEASE

BACKGROUND

From June 1, 1960 until March 31, 1992, the Port's marine fueling station, located in fisherman's wharf harbor, were operated by Mobil Oil Corporation under license agreements No. 5064 and No. 9655. Prior to terminating Mobil's license agreement No. 9655, subsurface petroleum hydrocarbon contamination was discovered within and adjacent to the premises and in other nearby subsurface areas. Mobil Oil Corporation, now known as Exxon-Mobil, has performed partial clean up of the area and continues to monitor the site. In response to renewed interest on behalf of the San Francisco Bay Regional Water Quality Control Board (RWQCB), Exxon-Mobil is now preparing an Environmental Risk Assessment, a Feasibility Study and a Remedial Action Plan to fully remediate any remaining contaminants located within and adjacent to the premises.

Since December 1992, under terms of month-to-month License No. 11748, G.P. Resources ("GPR") has operated the Port's marine fueling station located at the Hyde Street Fuel Dock. During the term of the existing agreement, GPR has invested $231,393 in site improvements including two new above-ground storage tanks. By prior agreement, the Port has reimbursed GPR for 35% of these improvement costs, for a total rent credit of $80,505. This rent credit was applied over 30 months (from 12/01/04 through 5/31/04) at 100% of the base rent of $2,750 per month. GPR is in compliance under all terms of its license including being current on its rent.

THIS PRINT COVERS CALENDAR ITEM NO. 5A

While conducting a market analysis it was found that the Hyde Street Fuel Dock has many unique characteristics that skew market comparisons to other marine fuel dock operations in California. Fuel docks generally provide both gasoline and diesel fuels to a predominately recreational boating public along with a commercial fleet. The Hyde Street Fuel Dock provides only commercial "tax exempt" diesel and therefore its market is limited by in large to the commercial fishing fleet. Fuel docks where also found to be a secondary service provided by a vendor such as a restaurant, bait shop or boat sales. The Hyde Street Fuel Dock is solely a fuel provider and the GPR lease use provisions do not allow for these other types of revenue sources. Port revenue from the GPR lease therefore is secondary to the primary Port mission of supporting the commercial fishing fleet at San Francisco's Fisherman's Wharf.

PROPOSED LEASE

The following is an outline of basic terms and conditions to be included in the lease with GPR for premises located at Seawall Lot 303.

1. **Premises:**

Tank Farm:	2,634 square feet
Fuel Dock:	1,862 square feet
Fuel Valve Shed:	14 square feet
Hyde Street Harbor Service Building Room:	404 square feet

The Premises also include non-exclusive use of an area for waste oil storage, use of the trash area and restrooms, and the fuel lines, bilge and sewage discharge lines associated with Tenant's use.

2. **Use:** The operation of a marine fueling station, fuel tank farm and related support functions.

3. **Term:** Five (5) years.

4. **Rent:** Base Rent: $2,750.00 per month.
Percentage Rent: $0.005 per gallon of fuel sold at Premises per month
2% of all lubricants sold at Premises per month
5% of all other sales sold at Premises per month
Average monthly sales, based on the past three years = 111,262 gals @1/2 cent per gal $566 per month. Figures for lubricants and other sales are not available at this writing.

5. **Improvements:** The Premises will be accepted by the Tenant in its "as is" condition. With the exception of $80,505 in previously reimbursed rent credits, all work to the Premises shall be conducted by Tenant at its sole cost and expense. Port shall retain responsibility for maintenance and repairs to the fuel dock structure and substructure.

6. **Environmental:** Tenant will be required to comply with applicable mitigation measures and will provide sewage pump-out service, bilge water pump out service, engine oil change/pump out service and oil, battery and filter disposal free of charge to the public. Tenant will also be required to meet the current Storm Water Pollution Prevention Plan (SWPPP) requirements. Tenant shall comply with all conditions of the program, including any additional provisions that exceed Tenant's requirements under the SWPPP.

FISHERMAN'S WHARF WATERFRONT ADVISORY GROUP (FWWAG)

At its July 20, 2004 meeting, the FWWAG was notified of pending Port Commission action in open session to approve the GPR lease. There were no negative comments from the group.

CEQA FINDINGS

The Port has a blanket General Rule Exclusion ("GRE") allowing continuation of the existing fueling use under the terms of a new lease.

Prepared by: John Davey, Assistant Deputy Director, Maritime

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-63

WHEREAS, Charter Section 3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and

WHEREAS, G.P. Resources, Inc., doing business as San Francisco Marine, a California corporation ("GPR"), has operated the Port's marine fueling station at the Hyde Street Fuel Dock, located in the 400 block of Jefferson Street near the intersection of Hyde Street, since 1992 under License No. 11748; and

WHEREAS, GPR has invested $231,393 in site improvements to date, including two new above-ground storage tanks; and

WHEREAS, GPR shall comply with Port approved Environmental Requirements which shall become a material exhibit to the Lease; now, now therefore, be it

RESOLVED, that the San Francisco Port Commission hereby approves a five-year lease between the Port and GPR for the operation of a marine fueling station located in the 400 block of Jefferson Street near the intersection of Hyde Street upon final terms and conditions to be approved by the Port Commission, in a form to be approved by the City Attorney's Office, which terms and conditions are set forth substantially in the Memorandum of Agenda Item 5A for the July 27, 2004 Port Commission Meeting.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 27, 2004.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

July 21, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon, Commissioner
Hon. Sue Bierman, Commissioner
Hon. Ann Lazarus, Commissioner

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FROM: Monique A. Moyer
Executive Director M Moyer

SUBJECT: Approve Lease of a Portion of Pier 45, Shed A located at the foot of Taylor Street, to Golden Gate Scenic Steamship Corporation, a California Corporation, for Sales of Tickets for Transportation Services and Excursions and for Public Access

DIRECTOR'S RECOMMENDATION: APPROVE LEASE

BACKGROUND

Golden Gate Scenic Steamship Corporation ("GGSSC") has been the Port's tenant at Pier 43 ½ pursuant to Lease No. L-9176 dated May 1, 1975 and as amended and restated on June 23, 1997. This lease terminates on July 31, 2015.

GGSSC, dba Red and White Fleet, is a Port tenant at Pier 45, Shed C, pursuant to Lease No. L-12795, dated August 1, 1999, which terminates on November 30, 2009, as well as month-to-month Lease No. 12949, dated May 22, 2000 as amended July 18, 2003. GGSSC is in compliance under all terms of its lease including being current on its rent.

In October 2002, the Port anticipated relocating GGSSC's Pier 45 Shed C leases to Pier 45, Shed A to accommodate the Pier 45 Fish Processing Development Project. While phase 1 of this development project was recently completed, phase 2 has been delayed indefinitely. As a result, GGSSC's leases at Pier 45, Shed C no longer require relocation to Pier 45, Shed A, and remain in place. However, GGSSC has remained interested in establishing a ticket sales office in the westerly portion of Pier 45, Shed A and believes this space, with its excellent frontage at the foot of Taylor Street, will help generate increased ticket sale revenues.

THIS PRINT COVERS CALENDAR ITEM NO. **5B**

PROPOSED LEASE

The following is an outline of basic terms and conditions to be included in the lease with GGSSC for premises located at Pier 45, Shed A.

1. **Premises:**

Approximately 2,608 square feet of shed space and approximately 2,809 square feet of non-exclusive apron space adjacent to the shed space, ground floor, Pier 45, Shed A, in the City and County of San Francisco, State of California, as shown on the attached **Exhibit A.**

2. **Use:**

The shed space shall be used for sales of tickets and public use directly related to the operation of Tenant's transportation services and excursion boats, as well as uses permitted under Lease No. L-9176. Tenant is specifically prohibited from originating tours of any nature from the shed space. Tenant acknowledges the primary means of ingress and egress for the shed space shall be from the adjacent apron space. The existing personnel door located on the south side of the Premises shall be for emergency exit use only.

The apron space shall be used for public access and ingress/egress to the shed space. At no time shall Tenant obstruct or restrict access to the apron area space. No temporary or permanent barricades or signage will be allowed in the apron area space at any time without the prior written approval of the Port. Placement of signage and temporary or permanent barricades is contingent upon Tenant receiving written approval from Port and if required, from BCDC. The landing and/or berthing of vessels along the Pier 45, Shed A apron is specifically prohibited. Tenant has acknowledged Port's intention to install public access improvements on the apron.

Tenant shall cooperate and work in good faith with any future development tenant or interim tenants to establish public access between the Premises and the remainder of Pier 45, Shed A.

Retail sales and any form of boat maintenance and/or docking adjacent to the Premises are specifically prohibited.

3. **Term:**

The Term of this Lease shall be co-terminous with that of Lease No. L-9176. As such, the term is for eleven (11) years and one (1) month commencing on July 1, 2004 ("Commencement Date") and terminating on July 31, 2015.

4. **Rent:**

Base Rent: $3,260.00 per calendar month attributable to the shed space and a common area charge of $223.00 per calendar month attributable to the non-exclusive apron space. The base rent is subject to annual CPI-based rental adjustments.

Percentage Rent: The Premises are subject to the same percentage rent terms as set forth in Tenant's Lease L-9176 with the Port, and such terms are incorporated by reference as if fully set forth in this lease. In calculating the applicable percentage rent due from Tenant under both leases, the Base Rent and Gross Revenues of both leases shall be aggregated. In the event of

early termination of Lease L-9176, the percentage rent terms shall continue to be in full force and effect to the Premises without change.

5. **Improvements:**

As a material consideration for Port's agreement to enter into this Lease, Tenant agrees, at Tenant's sole cost and expense, to make certain Alterations and Improvements to the Premises. Tenant shall provide for the complete build-out of a ticket office to meet design standards to be mutually agreed upon by Tenant and Port prior to commencement of construction. All build-out costs shall be borne by Tenant and not offset against rent. Tenant must obtain a Port building permit for all improvements and all building, electrical, mechanical, plumbing, fire code and other regulatory requirements must be met prior to commencement of any work. Build-out requirements may include, though not be limited to, fire sprinklers, fire rated walls, ADA accessibility and bathrooms. Tenant shall interface its sprinkler system with the existing Pier 45, Shed A fire sprinkler such that Tenant's system operates independently. Tenant is responsible for connecting the Premises sewer line to the existing Port sewer line should such improvements be desired or required. Tenant shall also be responsible for installation and build-out of all telecommunication and computer services.

6. **Public Access Improvements:**

Tenant agrees to pay a one-time fee, not to exceed $5,000.00, per an agreed "pro rata" formula, towards the design and construction of agreed-upon public access improvements related to the "PortWalk" public access plan currently being developed by Port staff.

FISHERMAN'S WHARF WATERFRONT ADVISORY GROUP (FWWAG)

At its July 20, 2004 meeting, Port staff formally notified the FWWAG of pending Port Commission action in open session to approve the GGSSC lease. There were no negative comments from the group.

Prepared by: Phil Williamson, Senior Property Manager

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-64

WHEREAS, Charter Section 3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and

WHEREAS, Golden Gate Scenic Steamship Corporation, a California corporation ("GGSSC"), leases Port property at Pier 43 ½ and at Pier 45, Shed C and is a maritime tenant in good standing; and

WHEREAS, GGSSC proposes to improve the front portion of Pier 45, Shed A with a new ticket sales office in support of its ferry and excursion business at Pier 43 ½; and

WHEREAS, GGSSC's gross sales revenues from ticket sales at Pier 45, Shed A shall be subject to the identical rent terms set forth in its existing Lease No. L-9176 with the Port; now, therefore, be it

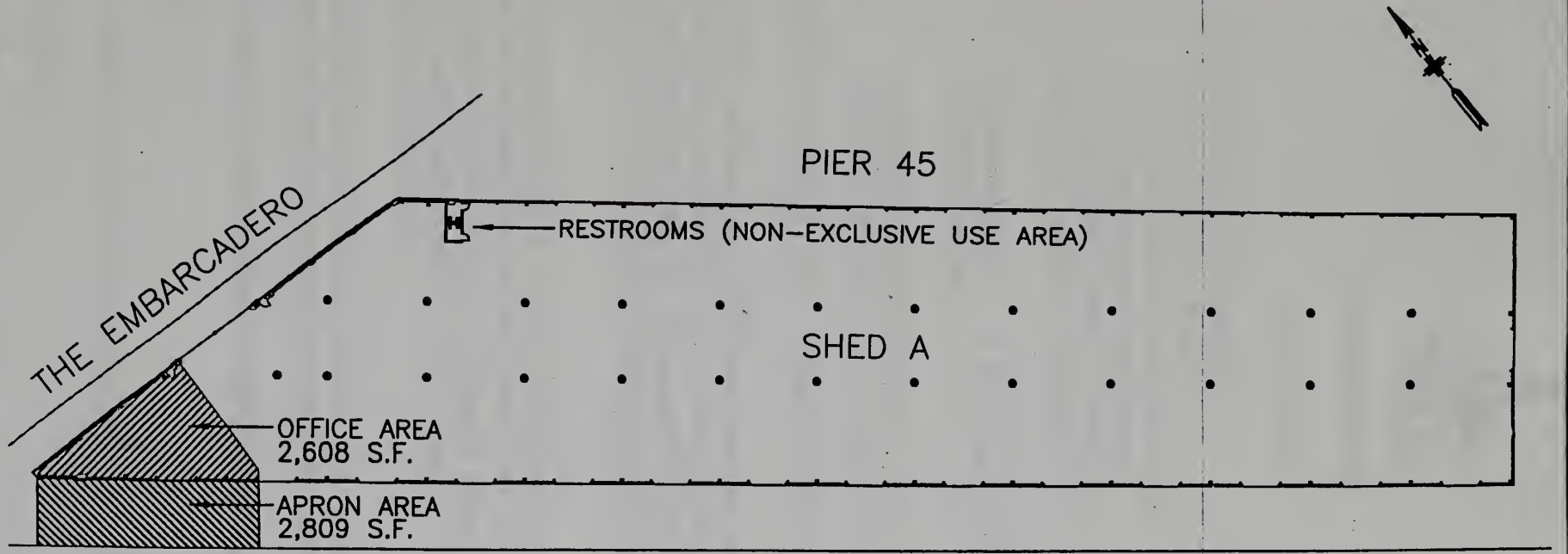
RESOLVED, that the San Francisco Port Commission hereby approves a lease with the term of eleven years and one month between the Port and GGSSC for sales of tickets and public use directly related to the operation of its transportation services and excursion boats and uses permitted under its Lease No. L-9176, upon final terms and conditions to be approved by the Port Commission, in a form to be approved by the City Attorney's Office, which terms and conditions are set forth substantially in the Memorandum of Agenda Item 5B for the July 27, 2004 Port Commission Meeting.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 27, 2004.

_____
Secretary

EXHIBIT A

INITIALS: PORT_____ TENANT_____



PIER 45 – SHED A

OFFICE AREA = 2,608 S.F.
APRON AREA = 2,809 S.F.
TOTAL AREA = 5,417 S.F.

LICENSE NO. L-13415	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO	TENANT: GOLDEN GATE SCENIC STEAMSHIP CORP., dba RED AND WHITE FLEET	DRAWN BY: S. CHU; DATE: MAY 30, 2003 CHECKED BY:; SCALE: PLACE CODE NO. 1450-A-0000; SHEET NO. OF SHEETS

G:\PROPERTY FILES\LEASE MAPS\EXHIBITS-PIERS\P45AGoldenGate2

PORT OF SAN FRANCISCO

MEMORANDUM

July 21, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Sue Bierman, Commissioner
Hon. Kimberly Brandon, Commissioner
Hon. Ann Lazarus, Commissioner

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FROM: Monique Moyer
Executive Director

SUBJECT: Authorization to offer through competitive bid a two-year lease for surface parking at Seawall Lot 314, located at Bay Street and the Embarcadero

DIRECTOR'S RECOMMENDATION: APPROVE RESOLUTION

Port staff is requesting authorization to offer through competitive bidding a two (2) year lease for the parcel commonly known as Seawall Lot 314, located at Bay Street and the Embarcadero, for operation of a surface public parking lot. The successful bidder will be the one that proposes the highest rent for the parcel and who meets the minimum qualifications for experience and financial standing.

The rent for the parcel shall be bid on a minimum base rent versus percentage rent basis, pursuant to minimum acceptable bids set forth below. The monthly minimum rent for the lease will be subject to annual CPI adjustments. Additionally, since the parcel is near future development sites, the Port shall retain the right to recapture all or part of the parcel upon sixty (60) days' written notice to the tenant.

The two-year lease shall be in substantial conformance with the Port Commission standard ground lease form. The proposed minimum lease terms and conditions are discussed below:

PROPOSED MINIMUM LEASE TERMS AND CONDITIONS

Seawall Lot 314

1. Premises: Approximately 29,946 square feet of Seawall Lot 314.

2. Term: Two (2) years

THIS PRINT COVERS CALENDAR ITEM NO. **5C**

3. Minimum Acceptable Bid:
   Percentage Rent: no less than 66% of gross receipts per month, to the extent greater than.
   Minimum Rent: no less than $15,000.00 per month.

4. Improvements: None required. The tenant will accept the parking lot in its "AS IS" condition and will be responsible for all necessary maintenance and compliance with laws.

5. Termination Rights: The Port will have the right to terminate the Lease for any reason upon no less than 60 days' written notice, without liability to the Port.

6. Prevailing Wages: The Lease will require the tenant to pay its employees wages at least equal to the highest general prevailing rate of wages as paid for similar work in the City and County of San Francisco in private employment, as determined by the Board of Supervisors pursuant to Section 6.37 of the City's Administrative Code.

7. Lease shall require the tenant to utilize revenue control equipment approved by the City and County of San Francisco.

   The Port has the right to audit pursuant to the lease.

Economically Disadvantaged Business Participation

The Port Commission is interested in encouraging the participation of minority-owned and economically disadvantaged businesses in this bid opportunity. Staff will consult with Human Rights Commission and the City Attorney's Office to determine appropriate methods for encouraging participation in the bid process by small, local, women, economically disadvantaged and minority owned businesses.

Commission Approval of Lease

Port staff will present the successful bidder to the Port Commission for approval and authorization to enter into a lease for the parking opportunity.

RECOMMENDATIONS

Staff recommends that the Commission approve the attached resolution authorizing staff to prepare and offer, through competitive bid, a lease with a two (2) year term, for a public parking lot at Seawall Lot 314.

Prepared by: Phil Williamson, Senior Property Manager
Jeffrey A. Bauer, Senior Commercial Leasing Manager

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-65

WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and

WHEREAS, surface parking generates a significant revenue stream to the Port, and the Port desires to operate its parking lots in an efficient manner while maximizing revenues; and

WHEREAS, there is a need for the continued operation of SWL 314 on an interim basis for public parking by both Port tenants and the public; and

WHEREAS, Seawall Lot 314 is located where the future demand for parking will increase; now, therefore, be it

RESOLVED, that the San Francisco Port Commission authorizes Port staff to offer through competitive bidding a lease with a two-year term for surface parking lot operations at Seawall Lot 314, located at Bay Street and the Embarcadero, in accordance with the terms outlined in the Agenda Summary for this Item 5C, a copy of which is on file with the Port Commission Secretary.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 27, 2004.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

July 21, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon, Commissioner
Hon. Sue Bierman, Commissioner
Hon. Ann Lazarus, Commissioner

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FROM: Monique A. Moyer
Executive Director M Moyer

SUBJECT: Approval of proposed Terms for First Amendment to Lease No. L-13407 between the Port and S.P. Tarantino Insurance Brokerage, Inc., a California corporation, and Approval of Authorization for Executive Director to Execute First Amendment to Lease No. L-13407

DIRECTOR'S RECOMMENDATION: Approve First Amendment to Lease No. L-13407.

BACKGROUND

The Port and S.P. Tarantino Insurance Brokerage, Inc. ("Tarantino") entered into a 5-year office and storage space lease dated May 1, 2003 (Lease No. L-13407), for premises located at 490 Jefferson Street. The premises are a total of 3,730 square feet. Port staff has successfully negotiated the removal of 390 square feet of storage space from Tarantino's premises and added it to the adjacent tenant premises (Franceschi's restaurant) to accommodate the Franceschi's restaurant expansion and remodeling project.

PROPOSED TERMS FOR FIRST AMENDMENT TO LEASE

Lease Term:	Extended 2 years until 4/30/2010
Lease Premises:	Reduced by 390 square feet of storage area (total remaining square footage: 3,340 square feet)
Minimum Rent:	Reduced from $2,889.00 per month to $2,588.00 per month. The lease rental rate is subject to reevaluation to fair market rent for the 2-year extension period (May 1, 2008 through April 30, 2010)
Expansion Right:	Tenant to have the right to first offer for the adjacent 558 square foot office space currently under a month-to-month lease to Martell Insurance Services, should Martell Insurance cease to occupy that space.

THIS PRINT COVERS CALENDAR ITEM NO. **5D**

Other New/Updated Lease Provisions:
The lease amendment includes the following City Requirements that have gone into effect since the original lease was executed:

a. Non-Discrimination
b. MacBride Principles
c. Tropical Hardwood and Virgin Redwood
d. Tobacco Products Advertising Ban
e. First Source Hiring
f. Health Benefits for Covered Employees
g. Pesticide Prohibition
h. Green Building Ordinance
i. Notification on Limits on Contributions

In addition, the Lease will be updated to include current lease provisions and requirements.

ANALYSIS

The proposed amendment deletes 390 square feet of storage space from the Tarantino premises. This deletion makes possible the significant expansion and remodeling project for the adjacent Franceschi restaurant premises, and as such, does not negatively impact the Port's revenue. Rather, because Franceschi's will be required to invest approximately $1.2 million in its restaurant, the Port expects significant additional percentage rent from Franceschi's increased sales.

The additional 2-year term proposed in the amendment is tied to a rent reevaluation provision. This provision guarantees the Port's right to receive the then-current market rate for the premises for the extension period, which commences on May 1, 2008 and terminates on April 30, 2010.

Tarantino's right to first offer for the Martell Insurance Services space provides the Port an opportunity to lease this space at market rent to a tenant in good standing and a long-term member of the Fisherman's Wharf business community.

RECOMMENDATION

Port staff recommends approval of the proposed lease amendment as the expansion, upgrade and remodel of the adjacent Franceschi's restaurant will significantly increase gross sales for Franceschi's and enhance Port revenue.

Prepared by: Phil Williamson, Senior Property Manager

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-66

WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and

WHEREAS, On May 1, 2003, the Port and S.P. Tarantino Insurance Brokerage, Inc., entered into Lease No. L-13407 for a 5-year term; and

WHEREAS, The Tenant and the Port have negotiated an amendment to the lease to reduce the square footage of the lease premises; and

WHEREAS, Tenant now desires the right to first offer for adjacent office space currently leased on a month-to-month basis to a third party; and

WHEREAS, Tenant desires to extend the term of the lease for an additional two (2) years; and

WHEREAS, Tenant agrees that the additional two-year term will be subject to a fair market rent reevaluation; now, therefore, be it

RESOLVED, that the Port Commission hereby consents to a First Amendment to Lease No. L-13407, the terms of which are described in the staff report and are on file with the Commission secretary; and be it further

RESOLVED, that the Executive Director or his designee is hereby authorized to execute all such appropriate documentation as needed to implement this Resolution in a form approved by the City Attorney's office.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 27, 2004.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

July 21, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon, Commissioner
Hon. Sue Bierman, Commissioner
Hon. Ann Lazarus, Commissioner

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FROM: Monique A. Moyer
Executive Director MMoyer

SUBJECT: Proposed Assignment of Lease No. L-8993, for Premises located at 498 Jefferson Street, from Franceschi Corporation to Mama Franceschi's, L.P. and Proposed First Amendment to Lease No. L-8993 between the Port and Mama Franceschi's, L.P., a California Limited Partnership, and Approval of Authorization for Executive Director to Execute Assumption and Assignment Agreement and First Amendment to Lease No. L-8993

DIRECTOR'S RECOMMENDATION: Approve Assignment and First Amendment to Lease No. L-8993.

BACKGROUND/EXISTING CONDITIONS

Franceschi's Restaurant was established in 1946. It is located at 498 Jefferson Street on the north side of the street across from the new Argonaut Hotel and adjacent to the Hyde Street Harbor. The restaurant currently has 70 seats, a small bar area, and serves breakfast, lunch and dinner. In 1975, Franceschi Corporation entered into a 61-year lease, lease no. L-8993, with the Port for the 2,972 square foot restaurant. In 1985, Franceschi also entered into month-to-month lease for an additional 739 square feet, which are utilized for Franceschi's kitchen and storage operations.

Franceschi's Restaurant is in compliance under all terms of its lease including being current on its rent.

CORPORATE STATUS

Franceschi Corporation initially consisted of equal partners Margaret Franceschi and Mario Alioto. In 1995, Paul Capurro bought Margaret Franceschi's 50% interest from her estate and in 2003 Mr. Capurro purchased the remaining 50% interest from Mario Alioto's estate. In the

T OF SAN FRANCISCO
TEL 415 274 0400 TTY 415 274 0587 ADDRESS Pier 1
FAX 415 274 0523 web sfport.com San Francisco, CA 94111

interest of resolving tax and debt issues pertaining to the Franceschi Corporation, a new entity, Mama Franceschi's, L.P., was formed in 2003. The entity's stock is held entirely by Mr. Capurro and Mr. Samir Ayoub, at 65% and 35% respectively. A lease assignment approved by the Port Commission is now required to formally recognize Mama Franceschi's, L.P. as the Port's tenant of record.

SUBSTRUCTURE CONDITION

The Port has substructure maintenance and repair responsibility for the month-to-month portion of Franceschi's leasehold premises. On April 10, 2002 the Port inspected this area and determined that the wood framing supporting the concrete floor is distressed and that the roof and roof-framing members are affected by dry rot. Port Engineering, through its rapid assessment inspection program, tagged this area "yellow" and determined that repair work must be done in order to preserve this facility. Port Engineering has estimated that the cost of the necessary repairs is approximately $50,000.

TENANT REQUEST FOR EXPANDED AREA

Franceschi's proposes to upgrade and remodel both the interior and exterior of the restaurant with a design that retains the original "Fisherman's Wharf" character of the restaurant and enhances the neighborhood's unique atmosphere. The construction budget is estimated at $1.2 million and Franceschi's has obtained financing to fund the work. The construction budget and scope of work include the substructure repair as well as new furniture, fixtures and equipment. Franceschi's proposes to reconfigure the leasehold to create a new entry, lounge and bar area, an expanded kitchen, and new ADA restrooms. Seating capacity will be increased to 191 seats.

To accomplish the renovation and remodel, Franceschi's proposes to add the following parcels into its long-term leasehold Premises (Lease No. L-8993): (1) the existing 739 square foot month-to-month leasehold; (2) 189 square feet of adjacent open area located on the north side of the Premises; and (3) 390 square feet of space adjacent to the east side of the Premises, currently leased to an adjacent tenant, S.P. Tarantino Insurance Brokerage. Incorporating these additional parcels into its premises will allow Franceschi's to "square off" the restaurant and provide the area necessary for building ADA restrooms, while allowing the efficient utilization of an enhanced restaurant space. In a separate agreement, Port staff will amend the S.P. Tarantino Insurance Brokerage lease to delete this portion of their premises. The proposed total area of the remodeled restaurant will be 4,286 square feet, as shown on the attached exhibit.

The time required for construction of the proposed improvements is estimated to be 4 months. During this time the restaurant will be closed, with Franceschi's continuing to pay the minimum monthly base rent of $3,521.

PROPOSED LEASE TERMS FOR FIRST AMENDMENT

Lease Term:	Unchanged--Lease Expiration April 30, 2036
Lease Premises:	4,286 square feet
Minimum Rent:	Unchanged at $3,521 for the first 12 months; increases to $5,000 per month thereafter, subject to annual CPI increases
Percentage Rent:	Alcoholic Beverages and all other items sold through Bar 6.75%

Food	6.75%
All other Sales	8.75%

Other New/Updated Lease Provisions: The lease amendment includes the following City Requirements that have gone into effect since the original lease was executed in 1975:

a. Non-Discrimination
b. MacBride Principles
c. Tropical Hardwood and Virgin Redwood
d. Tobacco Products Advertising Ban
e. First Source Hiring
f. Health Benefits for Covered Employees
g. Pesticide Prohibition
h. Green Building Ordinance
i. Notification on Limits on Contributions
j. Card check requirement

In addition, the Lease will be updated to include current standard lease provisions and requirements.

ANALYSIS

Port staff is in agreement with Franceschi's that the proposed $1.2 million capital and tenant improvement investment is necessary for Franceschi's to improve its performance and compete favorably with other Fisherman's Wharf restaurants. Franceschi's sales have been declining for a number of years. Recent events, including the fire at the construction site of the Argonaut Hotel, events of September 11, 2001, subsequent construction of the Argonaut hotel, and the Bay Area's economic downturn have had a significant negative effect on Franceschi's business. However, even without these economic impacts, Franceschi's has under-performed for many years due to lack of capital investment and unfocused management. Within the last ten years Franceschi's gross sales peaked in 1998/1999 with total rent paid to the Port of $72,380. During 2003 Franceschi's gross sales totaled $827,752, resulting in base and percentage rent (6.75% per the lease) payment to the Port totaling $56,317.

Franceschi's pro forma for first year operations following completion of the proposed improvement projects annual rent to the Port of $219,649, based on anticipated gross sales of $3.2 million--an increase of almost four times. Noting Franceschi's past performance, Port staff believes these projections to be aggressive. However, with the new management's action plan, a major renovation and upgrade, and an expansion of the restaurant, Port staff believes that a significant increase in revenue is likely. An expanded Franceschi's is comparable in size to many other Fisherman's Wharf restaurants. As an example, Pompeii's Grotto, located two blocks east of Franceschi's on Jefferson street, totals 4,140 square feet and reported gross sales of $2.3 million in 2003, or $555 per square foot, resulting in total rent to the Port for 2003 of $156,324.

Once the renovation is complete, Franceschi's will be poised to reap the benefits of increased tourism resulting from the rebounding economy and an improving neighborhood. Directly

across the street, the recently renovated Argonaut Hotel has opened to positive reviews and is experiencing high occupancy rates from both tourists and businesspersons eager to sample the character of Fisherman's Wharf.

The proposed lease amendment eliminates all Port responsibility for the maintenance and repair of any portion of Franceschi's Premises. For example, the pending substructure repair is currently the Port's responsibility. This approximately $50,000 project becomes the sole responsibility of Franceschi's following approval of the lease amendment.

As mentioned above, Franceschi's has recently undergone an ownership transition that requires a formal lease assignment. Paul Capurro and Samir Ayoub, the sole owners of Mama Franceschi's, L.P., have created a new management plan which increases their ability to attract capital to this facility. Their business expertise and familiarity with the history of Fisherman's Wharf should prove beneficial as the economy and local neighborhood continue to improve.

Finally, Franceschi's project has received the unanimous support of the Fisherman's Wharf Waterfront Advisory Group at their January 20, 2004 and July 20, 2004 meetings.

RECOMMENDATION

Port staff recommends approval of the proposed Lease Assignment and First Amendment to Lease. The expansion, upgrade and remodel of Franceschi's will significantly increase gross sales for Franceschi's and enhance Port revenue. Further, Franceschi's will assume responsibility for the maintenance and repair of the building's substructure and will accept new lease provisions, including City ordinances for Health Care Accountability and Employee Signature Authorization. Should the Port Commission approve the Lease Assignment and First Amendment to Lease, the First Amendment to Lease will then require approval from the Board of Supervisors.

Prepared by: Phil Williamson, Senior Property Manager

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-67

WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and

WHEREAS, On May 1, 1975, the Port and Franceschi, a California corporation, entered into Lease No. L-8993 for a 61-year term; and

WHEREAS, On April 9, 1996, the Port Commission through Resolution No. 96-34, approved an increase of the percentage rent for food, beverages and all other uses; and

WHEREAS, Tenant now desires to assign the Lease to Mama Franceschi's, L.P., a California limited partnership; and

WHEREAS, Tenant now desires to amend the Lease to expand the premises; and

WHEREAS, Tenant proposes to construct various tenant improvements in the expanded premises; and

WHEREAS, Tenant proposes to assume all maintenance responsibilities for the expanded premises, including all structural and sub-structural maintenance; and

WHEREAS, Tenant's proposed tenant improvements are projected to significantly increase the gross sales revenues generated at the Premises and aesthetically enhance a portion of the Fisherman's Wharf waterfront; now, therefore, be it

RESOLVED, that the Port Commission hereby consents to the assignment of Lease No. L-8993 to Mama Franceschi's, L.P., a California limited partnership, and authorizes the Executive Director, or his designee, to consent to the Assignment of Lease and Consent to Assignment, the terms of which are described in the staff report and are on file with the Commission secretary; and be it further

RESOLVED, that the Port Commission hereby consents to the First Amendment to Lease No. L-8993, the terms of which are described in the staff report and are on file with the Commission secretary; and be it further

RESOLVED, that the Executive Director or his designee is hereby authorized to execute all such appropriate documentation as needed to implement this Resolution in a form approved by the City Attorney's office.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 27, 2004.

_____
Secretary

SAN FRANCISCO
PORT COMMISSION

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7/04

JULY 27, 2004
MINUTES OF THE MEETING

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MEMBERS, PORT COMMISSION

HON. WILFRED HSU, PRESIDENT
HON. MICHAEL HARDEMAN, VICE PRESIDENT
HON. KIMBERLY BRANDON
HON. SUE BIERMAN
HON. ANN LAZARUS

MONIQUE MOYER, EXECUTIVE DIRECTOR

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE REGULAR MEETING
JULY 27, 2004

1. CALL TO ORDER / ROLL CALL

Commission President Wilfred Hsu called the meeting to order at 3:15 p.m. The following Commissioners were present: Wilfred Hsu, Michael Hardeman, Kimberly Brandon, Sue Bierman and Ann Lazarus.

2. APPROVAL OF MINUTES - July 13, 2004 Meeting

ACTION: Commissioner Brandon moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor; the minutes of the July 13, 2004 were adopted.

3. EXECUTIVE

A. Executive Director's Report: Ms. Moyer reported the following:

- Port of San Francisco's Bond Update
  Ms. Moyer stated that at the last meeting, she reported that staff completed the rating agency presentations and were waiting for the results. The Port was fortunate that its good credit rating was reinstated by all three of the rating agencies. The Series 2004 Bonds received investment grade ratings of A1/A-/A by Moody's Investors Service, Standard & Poor's Rating Group and Fitch Ratings, respectively. The rating agencies were extremely clear that the Port's deteriorating financial state was of concern to them and had the Port asked for a rating on long term bonds instead of 5 years, in all likelihood, they would have to take a rating action. Fitch gave the Port a negative outlook, which means that the credit trends are negative and they could lower the credit over time. In any event, it was good news. It resulted in the Port being able to procure bond insurance at a very reasonable rate to guarantee the payment of principal and interest in the event that the Port cannot pay. The Commission approved staff to issue as much as $25 million to refund its $23 million in debt. Staff was able to issue about $19 million. The market and others cooperated together allowing the Port to have cheaper financing. On a net present value basis, the Port will be able to save $1.7 million over the next five years. On a gross value basis, the Port will save $800,000 or so in cash in the next four years and in the fifth year, it will have negative savings. Staff is currently working to close the transactions by August 12. She thanked staff and acknowledged all the hard work of the Port divisions, especially the Finance division and the City Attorney's office. Their hard work translated into multiple millions of dollars to the Port.

- Free Outdoor Concerts at Ferry Plaza: The 28th Annual Season Free Outdoor Concert Series will run from July 1st through September 30, 2004 at 12 noon at 14 plaza locations throughout the City, from the Ferry Plaza to the Yerba Buena Gardens. There will be approximately six concerts to be held at the Ferry Plaza, on the second and fourth Tuesday of each month. The sponsors of the event are: The Port of San Francisco/Equity Properties, Crocker Galleria, Cushman Wakefield, GSA, Hines, Shorenstein Realty, State Compensation Insurance, The Pyramid Center, Yerba Buena Arts & Events, and 303 Second Street with grants from the Koret Foundation and Grants for the Arts.

- Grant Funding for Habitat Restoration Projects: Staff received grant funding for Habitat Restoration Projects: (1) $350,000 will be used for the purchase and installation of environmentally friendly polymer-coated piles at Pier 45. The piles will replace the creosote-treated piles. The Pier 45 work is one of the priorities for the Maintenance and Engineering Department this fiscal year. (2) $137,000 will go toward revegetation of rare wetland plant species at Heron's Head Park, including several years of maintenance and monitoring.

- Safety Awards: Twice a year, safety awards are given out in the Maintenance Facility. The Environmental Health and Safety Recipient Award went to Larry Iorio, paint shop supervisor. He was awarded for good project preparation and bringing potential safety issues to the attention of the EH&S unit. They were well received by the employees and everybody is committed to health and safety. Mike Wetzel, a piledriver supervisor, won the Maintenance Supervisor Award and he was recognized for his consistent efforts to make safety part of his job specifically with respect to the China Basin gangway, which is now installed at SBC Park and will be in operation by July 30.

- Hells Angels 50th Anniversary: This weekend, the Hells Angels 50th Anniversary party will be held at the Pound. The City is expecting a strong delegation from all around the world. Port staff has worked very closely with the Entertainment Commission and other divisions of the City just as it would for any event. There's a lot of effort being taken by all departments to ensure that it's a safe and enjoyable event.

- The HiDive Restaurant Grand Opening: The restaurant has been open for several weeks. The official grand opening will be held on July 28 at 5 p.m. at Pier 28½.

- Downtown Ferry Terminal: Effective July 28, the doors to Gates B and E of the Downtown Ferry Terminal will remain lock until the ferry is actually docked in port. In the past, the doors were opened in advance of the ferry's arrival so the passengers can queue under the covered area. The United States Coast Guard has determined that this practice is inconsistent with the Marine Transportation Security Act and therefore the Port will not be allowed to open the gates until the ferry staff are on site to supervise. This will have some negative ramifications since the passengers will have to queue in unsheltered areas, possibly into the open space behind the Ferry Building. Staff expects that a lot of the passengers will be upset by this change

but this is something that is beyond Port staff's control. The Port's maritime staff worked very hard to persuade the USCG of a better solution but unfortunately, the law is the law.

- Commendation for Neil Sekhri: Ms. Moyer indicated that Neil Sekhri, a deputy city attorney, has been with the Port for 10½ years. He is leaving the Port and going off to the high horizon of privatization.

  Commissioner Hardeman indicated that Neil Sekhri has served more than 10 years as a deputy city attorney for the Port and they both came to the Port about the same time. Commissioner Hardeman noted that he received a lot of compliments about Neil from people he has dealt with on real estate negotiations. Jack Bair, SF Giants, spoke highly of Neil because of his fairness and commitment to doing what's right. Neil was successful in the Pier 1 Rehabilitation project, Piers 1½, 3 & 5 historic preservation project, Ferry Building (one of the crown jewels of the City), the cruise terminal, and the Mills project. Commissioner Hardeman indicated that the San Francisco Port Commission declares and expresses its heartfelt thanks and appreciation to Neil Sekhri for its invaluable and lasting contributions to improving the quality of San Francisco waterfront during the years of 1994 to July 2004.

  Neil Sekhri, City Attorney's office, indicated that in the 10-½ years at the Port, he has attended more than 250 Commission meetings. One thing that he has learned to value more than anything are people that keep their public comments to three minutes or less. He thanked all the Commissioners, the Executive Director and Port staff for giving him the most amazing opportunity for the last ten years to participate in the historic remaking of the Port. Monique has often said in meetings when we are looking at positions that will affect the Port, that the Port is a perpetual entity. The Port Commission has been around since the 1860s in one form or another. The Port Commission sitting here together is another in a long line of Port Commissions and with Monique around, the Port should still be around for several years, beyond Monique's tenure. During the daily frustrations and interminable meetings and trying to defend the Port's budget in front of the Board, there's always a sense of history he got from being at the Port. It goes back to the 1860s, every decision that was made, every meeting that was attended, is another chapter in the Port's history. He has been conscious about that recently because he has been working with the Northeast Waterfront Nomination that will be brought to the Commission in a month or so. He recommended that the Commission look at that document because although it's extremely long, it's also very interesting. It tells a story of where the Port came from, particularly through 1945. It got him thinking about where the last ten years fit in the whole history of the Port. It's very clear from reading the nomination that the Port's public improvements, projects and its glory days peaked in the 1930's. It wasn't for another 70 years or so until Commissioners Hardeman and Brandon were in the Port Commission that the Port reinvented itself that has not been seen for most of the last century. The original seawall that was built around the turn of the century created the emphasis to put the Port to really grow and become a maritime power and a premier West Coast port. Since World War II, there has been a decline in maritime. He thinks that the Embarcadero roadway, which is analogous

to the seawall, allowed the Port to reinvent its mission to the waterfront plan on connecting the City to the Port and allowed some amazing things to happen over the last ten years. He was lucky enough to work on different projects, from the ballpark to Mission Bay to the Ferry Building to Piers 1½, 3, and 5, Pier 1, the cruise terminal, and Rincon Park. It's an amazing list of projects that everybody can be really proud of. He was able to work with amazing Real Estate and Maritime staff, incredible, talented Planning Staff, and General Counsel Noreen Ambrose who may talk a lot but always has really important to say. He has learned so much from her. He has been able to forge a lot of personal and professional relationships during his time at the Port that will last him a lifetime. Very few lawyers were able to say that they enjoyed coming to work every single day. He has been able to say that in the last ten years. He will miss everybody but will keep everybody involved in his life as he moves on to other opportunities. He thanked the Commission for the commendation.

Ms. Moyer thanked Neil Sekhri for all the work he has done at the Port as well as the exemplary work he did on his way out the door.

- Commendation for Taline Sanassarian: Ms. Moyer indicated that Taline Sanassarian is leaving the Port and will be attending the London School of Economics.

  Commissioner Hsu stated that Taline is leaving the Port to pursue a higher education. She has been at the Port since October 2001 and has made a lot of friends and has done a lot of good things. Taline has been one of the Port's most effective government and public affairs manager, representing the City and the Port in building, managing and leveraging relationships with local, state and federal agencies and elected officials on behalf of the Port. Taline has demonstrated extraordinarily intellect in leadership and advising the Port Commission and Port staff with effective solution towards achieving the delivery of services to the Mayor's Office, the Board of Supervisors, Port tenants, community advisory groups and the public. It's a tough job and she's done it well. She has represented the Port in identifying and reviewing all potential grant funding sources and appropriations and opportunities for federal, state and local government to secure millions of dollars in public grants for Port security, transportation projects and waterfront development projects for the Downtown Ferry terminal project, Bryant Street Pier, James Herman International Cruise Project and the Illinois Street Bridge project which will have a lasting effect for the City and the Port. Commissioner Hsu indicated that the Port Commission declares and expresses its heartfelt thanks and appreciation to Taline Sanassarian for her invaluable and lasting contributions to improving the quality of the waterfront during the years of October 2001 to July 2004.

  Ms. Sanassarian thanked all the Commissioners and appreciated all their insights and guidance while working at the Port. She also recognized former Commissioners Denise McCarthy and Brian McWilliams for their contributions as well as former Director Doug Wong. She stated that Ms. Moyer has already made a huge impact and got the vision straight of what the Port should be about and moving it forward to another level. On one hand, she's excited to be going to school in London. On the

other, she would have liked to stay at the Port and work with Monique and all the things she's going to bring to the table. When she was working at the Mayor's office, she was embroiled in the City Hall culture of thinking very black and white, decisions being made on a spur of the moment and nothing was terribly gray. One of the things that she learned at the Port was to be more patient and work with a team of people with different talent and skills and learning how to work in an organic process where things are not done overnight. A few of the projects she enjoyed working on was the cruise terminal, Piers 1½, 3 and 5 and the Port Commission Hearing Room, which was her first experience at the Board of Supervisors at her current position. That process taught her a lot about doing her homework and familiarizing herself about the projects. All the accolades and the ups and downs come and go, but ultimately the relationships are the things that matter most. She thanked all the staff she's worked with during her tenure at the Port.

4. PLANNING & DEVELOPMENT

A. Request for approval of extension of Exclusive Right to Negotiate Agreement with Stanford Hospitality, Inc. for the Embarcadero Hotel Project located at Embarcadero and Broadway on Seawall Lots 323, 324 and 322-1. (Resolution No. 04-68)

Project Manager Jennifer Sobol requested Commission's approval to extend the ERN with Stanford Hospitality for the Hotel project at Broadway and Embarcadero. The ERN expires on July 31, 2004. This project brings many benefits to the Port, to the City and to the public. The proposed hotel and garage uses are public trust uses that can clearly be done on Port property. The site represents one of the few allowed and feasible sites for a hotel on Port property. Staff believes that the hotel will accomplish many of the goals of the Waterfront Land Use Plan by attracting people to the waterfront, providing public oriented uses, activating the Northeast waterfront, developing a revenue generating use on the site and creating a gateway to Chinatown and the North Beach at Broadway. The hotel is proposed as a first class, full service hotel. She asked Commission's approval and recommended the extension on the following conditions:

1. The term of the extension would be for 16 months (through November 30, 2005) with extension for delays to resolve any appeals.
2. The negotiation fees would be $20,000 per month, payable every month, non-refundable.
3. Stanford would be required to obtain all regulatory approvals including street vacations if necessary and completion of parking demand study and would be required to reimburse Mills Corporation for half the cost of that study.
4. The developer hires and retains a community outreach consultant. They have hired Jane Winslow as their consultant.
5. At termination or expiration of ERN, the developer agrees to pay for and assign or waive rights to all work product.

Stanford has agreed to all of the conditions except for the work product provision. Staff has agreed to make this provision a performance benchmark in the amendment with a deadline of August 10, 2004 to negotiate the language of this provision.

Lawrence Lui, President of Stanford Hospitality, indicated that they are very committed to this project despite the program of the hotel being reduced from 450 to 250 rooms. As Jennifer pointed out, they are concern about turning over the project documents without any compensation. This is a very unusual business term for them. They also have some proprietary issues with some of the work. They feel that it is only fair they receive compensation for the work that they have done in the past several years if the Port terminates the project and if the next developer decides to use their work. He asked for the Commission's consideration to give them additional time to work with staff to resolve this issue. They have worked very well with staff before and he is confident that they can resolve this issue as well.

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion.

Nan Roth, Telegraph Hill Dwellers, opposed the extension of the ERN to Stanford Hotels Corporation for the Embarcadero Hotel Project. They do so based on their serious concern regarding significant inconsistencies between the proposed plans for the hotel and the garage and the established plans and policies of both the Port and the City. During the six years this project has been evolving, they have repeatedly raised the issues of non-compliance. Among their concerns are:

1. The proposed project does not conform to the Design Criteria for SWL 323 and 324 as set forth in the Port's Waterfront Design and Access Element of the Waterfront Land Use Plan.
2. The proposed project is incompatible with the specific guidelines enacted to protect the historic character of the Northeast Waterfront Historic District set forth in Appendix D of Article 10 of the Planning Code and with the architectural character and scale of the historic bulkhead buildings along the Embarcadero.
3. The proposed project is inconsistent with the Urban Design Element of the San Francisco General Plan as to views, street closures, compatibility of scale, form and proportion with historic buildings and the importance of designing buildings to fit the pattern and scale of their settings, particularly in prominent locations such as this.

Enclosed to the letter provided to the Commission is their December 4, 2003 letter to Stanford Hotel discussing the issues in greater detail. The issues remain today. The developer has never responded to their letter nor they have responded to the written concerns following their presentations last year to both the Landmarks Board and to Heritage. She urged the Commission to address the regulatory non-compliance of this project now before the project is allowed to advance further as a matter of consideration to both the developer and those who invested so much of themselves in the creation of these plans and regulations and to those who value the historic fabric of the community. Ideally, given the extent of the issues and the lack of progress in resolving them, the extension of the ERN would be denied. However, if an extension is to be granted, they proposed that as a condition of the extension, Stanford should be required to revise their project as necessary to fully comply with all applicable plans and codes in accordance with the RFP, the term of which were agreed to by the developer in seeking the right to develop the site. These revisions should be made before the completion of the EIR.

Diana Taylor, spoke on behalf of the residents and property owners in the Broadway Embarcadero Neighborhood, next to the land proposed for the hotel and garage project. She also serves as an officer of the Homeowners Association of the Golden Gateway Commons. They are long-term residents and property owners of the Golden Gateway Commons Condominiums (156 condominium units, 300+ individuals.) They are business owners and long term occupants of commercial and residential buildings in the lower Broadway, Golden Gateway neighborhood and long term people in the community who are invested in a livable community. They have three serious concerns provided to the Commission. She commented on the lack of genuine responsiveness of the developer to community interests, objections and recommendations that they have made through their representatives on the NEWAG, none of which are in any of the written materials presented to the Commission. She expanded on one of their concerns i.e. lack of genuine communication between the neighborhood and the developer over the last six years. There was only one publicized meeting in the last three years which was prior to the new architect and the dramatically revised design. Even their long-term representative to NEWAG was not informed of the community meeting in December 2003. None of the people in the condominiums were informed. Also in December a very careful, articulate critique with recommendations were proposed and none of the NEWAG members received a copy of that letter until May 2004. Finally, when they realized that neighborhood concerns were being silenced, they went to the Waterfront Design Advisory Committee in early June to voice their concerns and recommendations. They were told by the community and design advisors that they were too late to raise objections. They feel that the proposed hotel developer does not consider its role as part of a livable neighborhood. She urged the Commission to consider the needs and recommendations of the people who live and work in the community and will be there long after the hotel developers are gone. She urged the Commission to consider the recommendations of the Telegraph Hill Dwellers and to make Stanford Hospitality accountable to these concerns with more than just a community outreach person, very real recommendations for community involvement.

Commissioner Bierman asked how many sessions have the neighborhood had with this developer. Ms. Theresa Rea replied that she has been assisting Stanford Hospitality since October 2000 and has compiled a list of the meetings. NEWAG comprised of members from Golden Gateway Commons, Telegraph Hill, Northeast waterfront businesses, 101 Lombard, Chinatown Community Development Center, the Coastal Conservancy, Maritime unions and the waterfront advisory board creators like Toby Levine. They have had 24 meetings; 4 in 2000, 5 in 2001, 4 in 2002, 11 in 2003. They've also had 4 separate meetings held at the Park Hyatt, in close proximity to Golden Gateway Commons to which they have invited by the processes that had been made available to them by the property managers. There have been 4 different meetings with the Golden Gateway Common residents. There also have been 6 meetings with the Telegraph Hill Dwellers and assorted other meetings with the Chinese Chamber of Commerce, Chinatown Economic Development Council, Chinatown Community Development Center, North Beach Chamber of Commerce and San Francisco Architectural Heritage Group; a total of 42 meetings so far.

Commissioner Brandon indicated that the Port has shown its commitment to this project

over the last five years. Her concern with the project is that it seems to move so slowly. Even at the rate we're going, it's going to be another 4-5 years for the hotel to be actually built. Because the property as well as staff's time are tied up, the Port should be compensated. She proposed that staff continue to work with the developer to iron out the recommendation and report back at the next meeting.

Ms. Jennifer Sobol indicated that staff would be happy to report back to the Commission. However, since the extension expires July 31st, a shorter extension of 60 days might be appropriate while they work out the language. Commissioner Brandon asked if the Port will still receive the negotiation fee if this is extended for 60 days. Ms. Sobol stated that the purpose of the 60-day extension would be to work out the language for the work product. The Commission is still recommending that the work product be a condition to the extension of the ERN.

Ms. Moyer indicated that given the fact that staff has expended a lot of time on this issue for the last 30 days, she recommended that another 30 days would be all the time that staff can dedicate on this matter. She does not think that adding time is going to change anything. It will either be completed or not.

Commissioner Lazarus asked if the design issues, which are of concern to some people, are issues for the Port or the Planning Department or are there some interface because they are referenced in both the Waterfront Plan as well as the City's General Plan. Ms. Sobol replied that they are issues for both the Planning and Port Commission. The Waterfront Design Advisory Committee, which is in Section 240 of the Planning Code, was established to review Port projects on design issues and make recommendations to the Planning Commission, the Port Commission and BCDC. The design and height issues are reviewed by the Waterfront Design Advisory Committee and will be brought to the Commission as part of the approval of the lease, the development agreement and the schematic drawings. This project also has to go to the Planning Commission for approval. It also requires a conditional use and a certificate of appropriateness because it is in a historic district so the Landmarks Preservation Advisory Board will be looking at the compatibility of this project in the northeast waterfront including height and other issues. The two main reviewing bodies would be the Landmarks Advisory Board making recommendation to the Planning Commission, the Waterfront Design Advisory Committee making recommendations to the Port Commission and to the Planning Commission.

Commissioner Lazarus asked if there are no guarantees at this point that the design as currently presented is going to be acceptable to those bodies. Ms. Sobol replied that the Waterfront Design Advisory Committee has strongly supported the design but the developer has presented the design only to the Architectural Review Committee of the Landmarks Board. It has not been presented before the full board. There is still quite a review involved and opportunity for input from the community. It still has to go to the Landmarks Board, to the Planning Commission, and to the Waterfront Design Advisory Committee for further reviews.

Ms. Moyer stated that at the Port's insistence, the developer hired a community liaison.

This might be an opportune time for the Commission to hear what her strategy or outline is with respect to those issues.

Jane Winslow indicated that she worked on several projects in this area. She knows that it is difficult to get to the homeowners; it's difficult to work with the homeowners' group and their management. One thing that she has tried with a couple of other projects is to have meetings in their lobbies as people come home from work and to post ahead of time for a week or so or as far ahead as they can get the property managers to put up signs that they would be in the lobby and let them come through for an hour and a half and look at the drawings and inform them of the project and get their input. They can try that approach here as well. The large meeting that they held in a hotel does not seem to work so they're going to try a smaller venue to have the meetings and get more input. She plans to again meet with the Telegraph Hill Dwellers and with the other groups. Commissioner Lazarus' question was very good because the approval process seems confusing. She's only been on this project a month and it has been very confusing because there are a variety of guidelines and there is a quandary. She will try to educate the community about this issue.

Commissioner Bierman hopes that the developer understands the uniqueness of this area, its problems and its history.

Commissioner Brandon asked if the developer and Port staff would be able to reach agreement on the work product. Mr. Lui replied that they have worked with Port staff on many issues in the past successfully and he hopes that they would be able to resolve this issue as well. This issue has only come up in the last couple of weeks. They didn't have enough time to reach conclusion on that matter before coming to the Commission.

Commissioner Lazarus asked about the difference of the project now from three years ago. This project already has a five-year history and the Commission is being asked for another 16-month extension. The extension would probably be approved if the developer and staff reaches an agreement on the work product provision. However, if for some reason the work product is not agreed upon by both parties, staff would ultimately be wasting its time. She would like to get a better sense of what will be accomplished.

Maria Pracker, Sheppard Mullin attorney working with Stanford, indicated that there has been concerns that the process has taken a long time. The project started as a 455-room hotel that spanned a couple of lots and had a completely different design. It took some time for the design to be vetted in the community and taken before the WDAC. It was, however, a strong evidence of Stanford's commitment to put an end to that design when they realized that it wasn't working with the decision-makers or the community. They took the time to hire another architect to work with the complexities of the site. It lies within the Port's jurisdiction, the Planning Commission's, the Landmarks', the WDAC, NEWAG and Board of Supervisors. There are multiple approvals needed for this project. It is not just a hotel but a waterfront garden and a garage as well. The project was redesigned to 255 rooms to respond to the design concerns of this site. There are many paths that the developer have to go through in order to get to the end.

Ernestine Weiss, Golden Gateway Commons residents, indicated that her community was not mentioned at all as one of the participants, which they were. She did not attend the Park Hyatt meeting because she was not aware of it. She was also interested in the traffic situation, which was not mentioned at all and would like to hear about the developer's plans.

If the Commission approves the extension, Commissioner Lazarus asked about the downside for the Port and the staff if 16 months later the developer has not met all the conditions. Ms. Sobol replied that in 16 months, staff could be seeking another extension or hopefully the development agreement is completed at that time. If the developer has not obtained all the approvals, they could be obtained under the development agreement. The developer is seeking the 16-month extension in order to get to the completion and certification of the environmental impact report and the negotiation of the legal documents for the Port Commission's and Board of Supervisor's approval and execute the development agreement by November 30, 2005. They may be able to get their approvals but if not, they could obtain the other approvals that are required under the development agreements. Under this timeline, it is possible to certify the EIR and accomplish the development agreement and lease if there is a motivation to move quickly.

Speaking of the downside, Ms. Moyer indicated that the opportunity cost of the resources is being deployed elsewhere mainly in the southern waterfront. Staff has a goal to begin its planning in the southern waterfront. As long as the staff resources are tied up on this particular property indefinitely, that continues to be a delay. Delays cost money to the Port and if staff has to start all over again 16 months from now, it would have lost significant amount of time, planning and development. Getting the work product accomplished is incredibly important not just for staff resources but as the community pointed out, the time and work they have invested for free as well. This is a policy decision for the Commission. Is the Commission willing to see this through for another 16 months or would they like to do something shorter or longer. The Port has a lot of projects will only a small staff.

Commissioner Bierman indicated that she does not know how to judge whether it should be longer or shorter. It should be up to staff. Ms. Moyer replied that neither do staff. Staff has pointed that it is in the control of the developer. When the Commission approved the 4th amendment. staff committed that there would not be a 5th amendment but it would not be so 4 months later. Staff asked the developer to meet certain milestones to prove that staff is not wasting its time on this project. They have met them except for one issue. She could not assure the Commission that the developer and staff will come to conclusion in 16 months. It is beyond our control. It's in the developer's hands. Staff needs a policy direction at this point.

Commissioner Lazarus asked about the basis of the 16-month extension and whether it would be in conjunction with the anticipated approvals. Ms. Sobol replied that it's the amount of time Stanford anticipates they will need to publish the EIR, receive public comments, publish the next draft, certify it and negotiate the lease and development agreement. The 16-month time was requested by Stanford.

Ms. Moyer indicated that staff had originally suggested a shorter time frame but the developer asked for more. It's expensive for everyone to be here; it's expensive to send out materials to keep extending the project. Staff wants to be fair of what it thought could be accomplished.

Legal Counsel Noreen Ambrose indicated she drafted a language for Byron Rhett to read for the record to clarify the amendment to the resolution. Commissioner Brandon's motion was to bring this matter back to the Commission within 30 days for their review and approval of the final language for the work product.

Commissioner Hsu indicated that the 30-day extension is needed to tie the agreement over otherwise it will lapse. Ms. Ambrose replied affirmatively.

Planning & Development Director Byron Rhett indicated that there are two proposed amendments to the resolution before the Commission: (1) On the last whereas clause of the resolution, the following language will be added after the words Commission Secretary ... subject to resolution of the terms of the ERN to the satisfaction of the Port Commission, in its sole discretion, following a hearing on this item at the August 31, 2004 meeting. (2) On the first resolved clause of the resolution, the following language will added after the words City Attorney ... provided, however, that the Commission reserves the right to review the proposed resolution of the Work Product language at the Commission meeting on August 31, 2004, and determine, in its sole discretion, whether to terminate the ERN without opportunity on the part of the Developer to cure.

ACTION: Commissioner Brandon moved approval of the resolution as amended; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor; Resolution No. 04-68 was adopted.

5. REAL ESTATE

A. Request for approval of lease of Hyde Street Fuel Dock, located in the 400 block of Jefferson Street near the intersection of Hyde Street, to G.P. Resources, Inc., doing business as San Francisco Marine, a California Corporation, for use as a marine fueling station. (Resolution No. 04-63)

John Davey, Assistant Deputy Director of Maritime, requested Commission's approval of the five-year term lease with G.P. Resources. The base rent is $2,750 with the following percentage rent: half a cent for diesel fuel charges, 2% of all lubricants, 5% of all other sales sold in the premises. G.P. supplies a very needed service to the Fisherman's Wharf harbor and the small craft commercial fleet at the Port by providing commercial free diesel to the tenants. In addition, G.P. provides the stewardship of best management practices and environmental fixtures provided to the harbor residents and the local commercial fleet most notably a sewage pump out facility, a bilge pump out facility and an oil change pump out and the operation of the oil waste disposable facility. Those services are provided free of charge to the users even if they don't purchase fuel. The oil fuel change equipment that was provided by the Port is currently not operational but staff is in the process of sorting through the deficiencies to get it back on line. Port revenue

from this lease is secondary to the primary Port mission of supporting the commercial fishing fleet at the Fisherman's Wharf Harbor. He acknowledged Phil Williamson of Real Estate and John Mundy of Environmental Health & Safety for their work on this lease.

ACTION: Commissioner Hardeman moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor; Resolution No. 04-63 was adopted.

B. Request for approval of lease of a portion of Pier 45, Shed A, located at the foot of Taylor Street, to Golden Gate Scenic Steamship Corporation (Red & White Fleet), a California Corporation, for Sale of Tickets for Transportation Services and Excursions and for Public Access. (Resolution No. 04-64)

Property Manager Phil Williamson requested Commission's approval of Golden Gate Scenic Steamship Corporation (better known as Red & White) lease currently a tenant at Pier 43½ and Pier 45 Shed C. Red & White is a maritime tenant in good standing with the Port and now desires to lease a portion Pier 45 Shed C. The basic terms of the lease include approximately 2608 s.f. of shed space and 2800 s.f. of adjacent apron space. Red & White will use this space for tickets sales and public uses directly related to the transportation services they provide. Retail sales and landing or berthing of vessels at this location is prohibited. This is strictly for the ticket office build out. The term of the proposed lease would be co-terminus with Red & White's berthing lease at Pier 43 ½ i.e. it would terminate in July 2015 with base rent at $3483 a month which equates to $1.25 per s.f. The lease is also subject to the same percentage rent terms set forth in the berthing lease at Pier 43½. The reason for the high base rent in the shed is that the Port tried to recapture some of the tenant's projected increased sales revenues for this new location given its superior location for public access and public availability. As part of the lease, Red & White would provide for the build out of the ticket sales component of the currently vacant and unimproved shed to include fire sprinklers, fire rated walls, and ADA required upgrades for a total tenant improvement cost of $60,000. Red & White further agrees to pay a one-time fee to the Port on a pro-rata basis towards the design and construction of public access improvements currently being planned by Port staff for a Port walk along the Pier 45 apron. This item has received the support of the Fisherman's Wharf Waterfront Advisory Group.

Commissioner Lazarus noted that the S.F. Museum and Historical Society of which her husband is the Executive director is also a tenant of Pier 45 but is in no way involved with this lease.

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 04-64 was adopted.

C. Request for authorization to offer through competitive bid a two-year lease for surface parking at Seawall Lot 314, located at Bay Street and the Embarcadero. (Resolution No. 04-65)

Senior Leasing Manager Jeff Bauer requested Commission's approval to authorize staff to competitively bid a surface parking lot located at SWL 314. The bid would provide a base

rent against 66% of gross sales after the deduction of parking taxes subject to annual CPI adjustments. During the term of the lease, the Port has the right to recapture a portion or the entirety of the parking lot. The lot is approximately 29,946 s.f. The lease would provide for a 2-year term. The parking lot will be offered on as-is condition.

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 04-65 was adopted.

D. Request for approval of proposed terms for First Amendment to Lease No. L-13407, for premises located at 490 Jefferson Street, between the Port and S.P. Tarantino Insurance Brokerage, Inc., a California corporation, and authorization for Executive Director to execute First Amendment to Lease No. L-13407. (Resolution No. 04-66)

Property Manager Phil Williamson indicated that the Port and S.P. Tarantino entered into a five-year office and storage space lease dated May 1, 2003 for premises located at 490 Jefferson Street. The premises are a total of 3730 square feet. Port staff in negotiations with both Tarantino and Franceschi proposed to remove 390 s.f. of storage space from the Tarantino premises and add to the adjacent premises to accommodate the Franceschi's project. The terms for amending the lease to accommodate the deletion of this space add two years to the existing term. Their lease will expire April 30, 2010. The premises will be reduced by 390 s.f. of storage space. As a result, the monthly rent goes down from $2889 per month to $2588 per month. The lease rate is subject to reevaluation to market for the final two years of the lease. The tenant also has the right to first offer for the adjacent square footage of 558 s.f. office space leased to a third tenant on a month-to-month term. The proposed amendment deletes a 390 s.f. of storage space but it does not negatively impact the Port's revenue. Because of Franceschi's project and investment of $1.2 million to the restaurant, the Port expects additional percentage rent on this lease.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; Resolution No. 04-66 was adopted.

E. Request for approval of proposed assignment of Lease No. L-8993, for Premises located at 498 Jefferson Street, from Franceschi Corporation to Mama Franceschi's, L.P. and proposed First Amendment to Lease No. L-8993 between the Port and Mama Franceschi's, L.P., a California Limited Partnership, and authorization for Executive Director to execute Assumption and Assignment Agreement and First Amendment to Lease No. L-8993. (Resolution No. 04-67)

Property Manager Phil Williamson requested Commission's approval of the assignment and amendment of the Franceschi's restaurant. Franceschi's restaurant was established in 1946. It is located at 498 Jefferson Street on the north side of the street across from the new Argonaut Hotel and adjacent to the Hyde Street Harbor. The restaurant currently has 70 seats, a small bar area and serves breakfast, lunch and dinner to the tourist community and the local fishermen community. In 1975, Franceschi entered into a 61-year lease with the Port for the 2,972 s.f. restaurant. In 1985, Franceschi also entered into a month-to-month lease for additional 739 s.f. which are utilized for Franceschi's kitchen and storage operations. Franceschi's owners currently restructured to create an entity capable of

capitalizing some improvements that are in need for this location in order to fully utilize the assets for both the tenant's financial purposes and for the long term benefit of the Port. The Port has substructure maintenance and repair responsibility for the month-to-month portion of the Franceschi's leasehold premises. The Port recently inspected the area and found approximately $50,000 worth of work that must be done in the near future to preserve the facility.

Franceschi's proposes to upgrade and remodel both the interior and exterior of the restaurant with a design that retains the original "Fisherman's Wharf" character of the restaurant and enhances the neighborhood's unique atmosphere. The construction budget is approximately $1.2 million. The construction budget and scope of work include the substructure repair as well as new furniture, fixtures and equipment. The proposal would also reconfigure the leasehold to create a new entry, lounge, bar area, an expanded kitchen, and new ADA restrooms and increasing the overall size of the facility from 70 to 191 seats. To accomplish the renovation, Franceschi's proposes to add the following parcels into its long-term leasehold premises: (1) the existing 739 s.f. month-to-month leasehold; (2) the 189 s.f. of adjacent open area located on the north side of the premises; (3) 390 s.f. of space adjacent to the east side of the premises, currently leased to an adjacent tenant, S.P. Tarantino Insurance Brokerage.

The lease terms will not change; it will still expire in 2036. The lease premises would expand by about 575 s.f. to a total of 4,286 s.f. Incorporating these additional parcels into its premises will allow Franceschi's to square off the restaurant and provide the area necessary for building ADA restrooms, while allowing the efficient utilization of the enhanced restaurant space. The minimum rent will remain unchanged at $3,521 for the first 12 months; increasing to $5,000 at the beginning of the 13th month subject to annual CPI increases. The percentage rent would stay the same at 6.75%, which is comparable to other restaurants at the wharf

Franceschi's pro forma for first year operations following completion of the proposed improvement projects annual rent to the Port of $219,649, based on anticipated gross sales of $3.2 million, an increase of almost four times. Port staff believes these projections to be aggressive. However, with the new management's action plan, a major renovation and upgrade, and an expansion of the restaurant, Port staff believes that a significant increase in revenue is likely. Franceschi's received unanimous support from the Fisherman's Wharf Waterfront Advisory Group for the proposed renovation program.

Commissioner Brandon asked why the minimum rent will not be raised until after 12 months. Mr. Williamson replied that staff feels there are significant benefits to be had immediately from the amendments. Obviously rent is not one of them for the first 12 months but the foregoing of the Port's maintenance responsibilities for the substructure has a significant benefit and the increase in sales from the remodeled restaurant would be a benefit. During construction, the Port will continue to receive rent even though the restaurant will be closed for 12 months.

Commissioner Brandon stated that the fact that the Port is extending half the size of the lease for 32 years is a consideration for the $50,000 they are paying for the substructure

repair. Usually, the Port waives the rent through the construction period and not for 12 months, which sounds more like a rent credit. Mr. Williamson replied that it was not structured as a rent credit. The negotiations evolved such that the Port did not forego the rent but rather it was not raised during the construction period.

Commissioner Brandon stated that the Port does not usually forego rent for the construction period. There is minimum rent during construction. Once construction is completed, the rent is increased. She wondered what the logic was for not increasing the rent for 12 months. Mr. Williamson replied that the logic was just to give the tenant a chance to improve the site for four months and have some time to get up and running and work out any problems.

Ms. Moyer clarified Commissioner Brandon's concern that the Port will be losing rent in the 12-month construction period and asked Mr. Williamson to explain what will compensate the Port for that loss. Mr. Williamson replied that the rent from the adjacent site will compensate for the loss. The adjacent tenancy is giving up 390 s.f. of space to this project which is not recoup for the first 12 months. Port staff believes that the increase of percentage rent sales from the operating restaurant will more than compensate the Port for the loss in rent. Ms. Moyer pointed out that one is stated rent and the other is percentage rent; it's a different risk.

Commissioner Brandon was concerned that the Port is losing one portion of the rent and then adding 32 years to the new lease, which is more considerable than the $50,000 the tenant will be paying for the repairs. The rent should be increased after the construction period as is normally done.

Mr. Williamson indicated that the actual construction period where the restaurant anticipates being closed is four months. The lease itself allows for a longer construction period of 18 months to get the permits, etc. to get completed and approved. The negotiations evolved to the point where staff felt that the return benefit would be beneficial to the Port from the percentage rent increases based on the tenant's pro forma.

Commissioner Brandon indicated that it's not the dollar amount but the fact that the Port is doing it without any compensation. The Port is losing $300 a month on the 390 s.f. from the Tarantino space and not being made up anywhere else. Staff is counting on the proposed percentage rent rather than actual rent that the Port could be getting now . Mr. Williamson replied that the rent from the additional square footage from the adjacent tenancy is about $200 a month. Commissioner Brandon indicated that the Port is losing approximately $300 per month from Tarantino's and is also giving 189 s.f. of adjacent open area which the Port is not being compensated for. Mr. Williamson pointed out that staff anticipates an increase of nearly three times the monthly rent.

Ms. Moyer stated that it is a change in policy. While it's a fairly insignificant amount in this case, it's a policy that will be precedent setting for staff in other negotiations and it needs direction from the Commission. Commissioner Brandon asked what policy the Commission would be changing. Ms. Moyer replied that the Port has a policy of not giving away square footage for free. She's not aware of any marginal thresholds. Mr.

Williamson confirmed that there are no thresholds but there is a construction period outlined in the lease. The construction period for permits is longer.

In the Port's ability to collect percentage rent, Ms. Moyer asked if there is any offset until the tenant recovers the construction cost. Mr. Williamson replied that there are no rent credits for the actual cost of construction. Ms. Moyer indicated that as a policy statement if the dollar amount is marginal, why change the policy. The tenant should absorb the cost. Mr. Williamson replied that it would accommodate the construction period of the improvements.

Commissioner Brandon indicated that she does not want to change the policy. It is a wonderful project. There's not a lot of money involved but it's the standard that the Port is setting and the principle of it so that when the next tenant comes along, the Port is not giving up revenue when it's in such dire need of it. She proposed to continue this item to the next meeting.

Ken Winters, Director of Real Estate, indicated that the detail of these numbers has been worked through. The current minimum rent is roughly a dollar per square foot. The effective rate on the total square footage, given the percentage increase is in the high 90 cents per s.f. range. For the first year, it goes from 95 cents to 82 cents per s.f. With respect to the current space that is being added to the square footage, staff did a great deal of analysis and the pro forma of $3 million. In 1998, the restaurant as it currently exists grossed $1.2 million. Currently, they are operating at under $900,000 gross sales. With regard to the one-year stabilization period, he pointed out that the tenant is investing $1.2 million into the restaurant without a recoup on those dollars to generate a direct benefit to the Port that may be realized within the first year. With respect to the 82 cent per square foot, that breakpoint would arguably be gross sales of just below the $800,000 per year gross sales. Port staff has factored in the benefits of the substructure repair at $50,000. The Furniture, Fixture and Equipment (FFE) upgrade of $1.2 million with no offset that the tenant is putting in and the prospect of increased gross sales pro forma on what currently is the minimum gross sales achieved in the last 12 months would be beneficial to the Port.

Ms. Moyer indicated that staff would not be leasing space for zero return but the return on this space will be divided by a larger square footage. None of the space is for free but the Port is taking a deduction on the space being rented for 12 months. There is no public fund issue.

Commissioner Hardeman commented that this transaction is a little confusing. He knows how complicated it gets sometimes because he does a lot of negotiations. On the surface it looks like we're giving something away for free but in reality, we're not. As Mr. Winters pointed out, it looks unusual but staff feels comfortable with the overall result that the Port will benefit financially. He feels comfortable with the deal as presented.

Commissioner Hsu echoed Commissioner Hardeman's comments. On the surface, it looks like we're charging less per square foot for the base rent for the first 12 months. However, with regard to the $1.2 million of capital and tenant improvement that the tenant is investing into the restaurant, the overall effect would be, barring anything unforeseen, the

business would pick up more on the percentage rent. He hopes that we would also see an upswing on the base rent. The 12 months of concession of not raising the base rent from $3500 to $5000 represents a substantial sum of money, less than $12,000 for the remaining months. He understands the logic of the negotiation for the 12-month period. The Port is giving in a little bit because the tenant is investing $1.2 million in capital improvements. The Port will benefit in the long run. He, too, is comfortable with the transaction as presented as the Port is not giving away any space for free, which he would not approve of.

Paul Capurro indicated that his family has been in this location since 1936 and has never developed it properly. Technically, what they are actually gaining is the extra space from Tarantino in order to square the building off. In addition, they will be putting a shearwall, a new foundation to separate the two buildings which does not currently exist. As soon as they reopen, their goal is to never be near the minimum rent. They always want to be in the percentage rent which has precedence over the minimum rent. It has been a long negotiation period. They have been going through this process for the last three years and have negotiated intently in the last six months. They are trying to continue a family heritage on the Fisherman's Wharf for many years. They want to make a major investment. It has not been an easy road and they would like to have the Commission's blessing. They would like to move forward. With the Argonaut Hotel and the harbor, there has been a tremendous improvement at the wharf. They can't wait to get in and be part of the ballgame. They've always out grossed Cioppino's for years. Now, Cioppino's out grossed them ($3.6 million) by doing their improvements. They feel they can be in that category as well. Hopefully, the issue that has been brought up becomes a non-issue. In the old days, things were done a little different than today. They have finally gone through the process and cleaned up the lease. Tarantino's and Franceschi's have come to an agreement. They will both be there for many years to come. He asked for the Commission's consideration.

Commissioner Brandon supports this project. It will be a wonderful project once it's complete. The base rent is a security for the Port because the restaurant will achieve its goals and the base rent will not be an issue. She's still concern about not increasing the rent after the 4-month construction period. Mr. Williamson indicated that the rent will be increased on the 13 month at $1.16 per s.f. which is on par with the other restaurants in the area.

Commissioner Hsu asked if Mr. Capurro would object to making a deal now so as not to waste any more of his and staff's time. Because of Commissioner Brandon's concern, Commissioner Hsu asked if Mr. Capurro was amenable to paying $3521 for six months and then $5000 thereafter. Mr. Capurro concurred and he hopes that it will not be a concern after the construction period is done. He said that they are trying to be conservative and not to be over zealous. They know that it will be incredibly costly and they don't know what they will get into. ADA approved a space that was added in the lease. The Port is solely responsible for the substructure maintenance and repair but they will take care of those responsibilities. If there were to be a major earthquake or problem right now, they don't know what will happen. They did not ask for any rent credits but they are absorbing all of the costs. There was an existing freezer that was deemed old and

safe along side their building and they took it down at their own expense. They have not used that space for the last 7-8 years and they never asked for credit either.

Commissioner Brandon offered the construction period plus two months in case they run into any problems. Mr. Capurro stated that they are trying to get themselves off to a good start and would agree to the Commission's offer. Commissioner Hsu appreciated Mr. Capurro's concurrence to the offer on the table.

Port Counsel Noreen Ambrose indicated that the second resolved clause in Resolution 04-67 would read... that the Port Commission hereby consents to the First Amendment to Lease No. 8993, the terms of which are described in the staff report and are on file with the Commission Secretary; provided, however, that the current minimum rent in the amount of $3521 per month will continue during the construction period plus 60 days. Following that period, the minimum rent will increase to $5000 per month subject to annual CPI increases.

ACTION: Commissioner Brandon moved approval of resolution as amended; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor; Resolution No. 04-67 was adopted.

6. NEW BUSINESS / AGENDA SETTING

- New Business: Commissioner Hsu announced that the August 10 and August 24 Commission meetings are cancelled. A special meeting has been scheduled for August 31st.

- Agenda Setting (Targeted Commission meeting, subject to change)
  Ms. Moyer indicated that all the agenda items listed for August 24 will be presented to the Commission on August 31st. Staff hopes to have the Pier 43½ arch contract award ready for that meeting as well as the approval of an RFP for Habitat Restoration at Heron's Head and a request to award the shoreside power contract for Piers 30-32.

  Commissioner Lazarus asked if the ferry passengers were notified about the queuing change at the ferry terminals. Mr. Davey replied that flyers were distributed on the boats and notices were posted on the gates at both facilities. Ms. Moyer stated that Renee Dunn has issued a press release about this matter and the Mayor's office and the Board were also notified. The Port does not expect to get many complaints until the rainy season starts. Port staff lobbied hard with our constituencies but were outranked.

7. PUBLIC COMMENT

Alan Sandler, Executive Director of the Architectural Foundation of San Francisco, indicated that Build San Francisco is an architectural, engineering, design, construction, academic and mentoring program involving architectural, engineering and design firms throughout the City primarily working on the redevelopment of Piers 1½, 3 and 5 with high school students. This semester, 17 students from 10 different high schools worked with 12 different firms in San Francisco. This is the third summer they have been in partnership with the Port and the SFUSD. At the end of every semester, the students make a brief presentation to the

Commission regarding their experiences.

Rea Mitchell, Lowell High School student, indicated that she first heard about the Build San Francisco program in her freshman year through her architecture teacher. To her disappointment, she couldn't participate until she was at least 16 years old. She was excited to learn that she could attend the program after her junior year. On the first day of the program, she was intimidated by not only the professionals involved such as the architects and engineers but was also intimidated by the students because she knew they were on top of their class to join the program. She had a good experience when the students worked together on a project and they learned how to approach certain projects and how to work with people they have never worked with before. Her mentors were Wayne and Josie from RMW Architecture and Interior Design. It was also their first time to mentor a student. Wayne helped her understand sustainability because he knew it was a very important part of the program. Josie helped her understand the whole process of the architecture firm, working with general contractors, etc. She had a wonderful experience working with the mentors. The Build San Francisco Program is a good opportunity for students to participate and experience new challenges and work first hand with professionals. She thanked the Architectural Foundation of San Francisco, Alan Sandler, Will Fowler and Richard Hannum for the opportunity.

Bob Dinh, School of the Arts student, indicated that he first heard about this program through his art director. He found this program to be very educational, very enlightening and he owes a lot of gratitude to the mentors involved in the program. Without them this program would not have been complete. During the six-week program, he has been working with Chris Ridley of Treadwell & Rollo, a geotechnical and environmental firm in San Francisco, doing office work such as filing, blueprints review, entering pile driving data into Microsoft Excel as well as doing field work such as seeing the piles being driven at Piers 1 ½, 3 and 5 and taking photos of the construction site at the Port. Prior to the program, he knew very little about architecture and even less about geotechnical engineering. His mentor taught and trained him and took much of his time into teaching him the basics of what he does. He's learned to work more diligently, more carefully and much more prepared for this line of work when he enters it. He personally thanked his mentor, Chris Ridley of Treadwell & Rollo. On behalf of all students, he thanked all the mentors involved in this program for teaching them and preparing them for what to come.

Ying Ying Kwan, Galileo High School student, stated that when she first participated in the program, she was amazed at the environment and the place where the meetings were held. The Bayside Conference Room at Pier 1 is a beautiful place. It provided a beautiful landscape and access to the piers and a chance to look at the construction and the history of the piers. It enhanced their knowledge. The Port Commission was very flexible. They provided the room when they needed it. It gave them a professional place for doing their professional job. All of the students have learned a lot and thanked the Commission for providing the meeting room.

Richard Hannum indicated that this is a big year for them because they have now completed the process with SFUSD of getting the courses that they will be teaching beginning in the fall, a full time extension as one of the largest private/public school partnerships in the country. Alan Sandler was in Chicago and found out that their program is the model that everyone else in the country is looking at. He thanked the Commission for their continuing support as well as

the staff's support in helping them put together the program for next semester and the following year when they go to a full-time program starting with 25 students this year and growing into 100 students over the next several years. On behalf of the students, he thanked the Port for their continuing help and support as their partners in this program.

Commissioner Bierman commented that this is a wonderful program for the students and was proud of the student's participation as they will be more prepared to move ahead.

Mr. Hannum thanked Commissioner Bierman for her comments and indicated that one of the things that has happened is that they now have a backlogged of students who are interested in participating in the program. They now have more students than spaces. They are also gaining more mentors and new firms. BCDC just committed to take a student full time in the fall. The City Planning Department has also committed. It is beginning to grow and gather a lot more support especially now that it's become strongly aligned with the Unified School District through the efforts of Arlene Ackerman.

Commissioner Hsu stated that this is a wonderful program. He too was trained as an architect and he did not have the benefit of this program. The only preparation he had before entering architectural school was one summer of volunteer training in an architectural firm. The internship enlightened and helped him a lot in preparing for school. This is an invaluable program for students as it will open up their eyes in the field of architecture and engineering practice whether they choose to go into it or not after their exposure or be more prepared or have a more realistic view of what it's all about. He also understands that there is a pending request from the Architectural Heritage Foundation for meeting space. Mr. Hannum indicated that this is something that staff is working on and they will continue to work with staff in securing a place.

Commissioner Hsu commended the Architectural Heritage Foundation for their work and staff will try to find them a space.

Ernestine Weiss, Golden Gateway Commons, reminded the Commission about the lack of and the importance of police presence in the waterfront. She also asked about the status of the signs on the Embarcadero prohibiting bicycles on the sidewalk. She recommended that a business improvement district is important for this area much like the one created at Union Square. There's a lot to be done in this area. The ferry plaza needs new benches. The waterfront could use a business improvement district and it is up to the Commission to get the neighbors together and accomplish this task. She has already spoken to Boston Properties and the Hyatt and the Port should also contact them. She asked the Commission to join the neighbors to improve the area and get more tourists to come to the waterfront.

8. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner Brandon moved approval; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

At 5:20 p.m., the Commission withdrew to executive session to discuss the following:

B. CLOSED SESSION

(1) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative. *

a. Property: Pier 15 and 17 (at Embarcadero)
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Exploratorium: Dr. Goéry Delacôte

b. Property: Piers 27-31
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Piers 27-31 LLC: Steve Jacobsen

9. RECONVENE IN OPEN SESSION

At 6:02 p.m. the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Hardeman moved approval to adjourn executive session and reconvene in open session; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Hardeman moved approval to not disclose any information discussed in executive session; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

10. ADJOURNMENT

ACTION: Commissioner Hardeman moved approval to adjourn the meeting; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

Commission President Wilfred Hsu adjourned the meeting at 6:03 p.m.

PORT OF SAN FRANCISCO

Agenda

NOTICE OF CANCELLED MEETINGS

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The following Regular Port Commission Meetings have been CANCELLED:

AUGUST 10, 2004 @ 3 P.M.
AND
AUGUST 24, 2004 @ 3 P.M.

DOCUMENTS DEPT.
AUG - 4 2004
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PUBLIC LIBRARY

A Special Port Commission meeting is scheduled on:

AUGUST 31, 2004 @ 3:00 P.M.

Please note that this special meeting will be held in the Bayside Conference Room at Pier 1.

San Francisco Port Commission
Pier 1, San Francisco, CA 94111
(415) 274-0406

AUGUST/SEPTEMBER 2004
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
August 10 (Cancelled)	3:00 p.m.	Port Commission	Port Commission Room @ Ferry Building
August 24 (Cancelled)	3:00 p.m.	Port Commission	Port Commission Room @ Ferry Building
August 31 (Special)	3:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
September 14	3:00 p.m.	Port Commission	Port Commission Room @ Ferry Building
September 28	3:00 p.m.	Port Commission	Port Commission Room @ Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 3:00 p.m., unless otherwise noticed. ***The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com.*** Contact Amy Quesada at 274-0406.

The Brannan Street Wharf Citizens Advisory Committee meets on an as-needed basis to develop a concept plan for this planned open space in the South Beach area. Meetings are held in the Bayside Conference Room at Pier 1. Contact Dan Hodapp @ 274-0625 or dan_hodapp@sfport.com

The Cruise Terminal Environmental Advisory Committee generally meets the third week of each month. Date and time to be determined. Contact Michael Nerney at 274-0416.

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Contact Tiffany Bohee at 749-2481 for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Pier 70 Advisory Group meets monthly on an as-needed basis generally on the 2nd Wednesday of the month from 4 to 6 p.m. at the Potrero Campus of the California College of Arts and Crafts, Board Room, 1111 – 8th Street between Irvin and Hooper. Contact Mark Paez @ 705-8674.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Tiffany Bohee at 749-2481 or 749-2400 for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conference Room @ Pier 1. Contact Dan Hodapp @ 274-0625.

ACCESSIBLE MEETING INFORMATION

Getting to Pier 1: Pier 1 is located on the Embarcadero, at the foot of Washington Street. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Pier 1 area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets.
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington St., Folsom St. & Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals. A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact John Scott, Port's ADA Coordinator, at 274-0571. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102, by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org. Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall, the San Francisco Public Library or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

SAN FRANCISCO PORT COMMISSION

Wilfred Hsu, President
Michael Hardeman, Vice President
Kimberly Brandon, Commissioner
Sue Bierman, Commissioner
Ann Lazarus, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax: 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax: 415-274-0412

PLEASE NOTE THAT THIS MEETING WILL BE HELD AT PIER 1.

SF
P55
#1
8/31/04
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AGENDA
SPECIAL MEETING
3:00 P.M., TUESDAY, AUGUST 31, 2004
BAYSIDE CONFERENCE ROOM
PIER 1, SAN FRANCISCO, CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. Public comment is taken on each item on the agenda.

DOCUMENTS DEPT.
AUG 27 2004
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1. **CALL TO ORDER / ROLL CALL**

2. **APPROVAL OF MINUTES** - July 27, 2004 Meeting

3. **EXECUTIVE**

   A. Executive Director's Report
   - Radiation Monitoring Portals
   - China Basin Gangways
   - Update on Contracting with respect to Disadvantage Business Enterprise (DBE)

4. **ENGINEERING & MAINTENANCE**

   A. Request for authorization to advertise for competitive bids for Construction Contract No. 2698, Ferry Terminal TSA Security Enhancements. (Resolution No. 04-69)

   B. Request for authorization to advertise for competitive bids for Construction Contract No. 2696, Pier 80 Security Enhancement TSA Grant Phase 3 Project. (Resolution No.04-70)

5. ADMINISTRATIVE SERVICES

A. Request for adoption of the Port's Draft Statement of Incompatible Activities. (Resolution No. 04-71)

B. Request for authorization to issue a Request for Proposal (RFP) to 501c3 non-profit organizations for a Youth Employment Program to help maintain the Port's property. (Resolution No. 04-72)

6. REAL ESTATE

A. Request for approval of lease with the S.F. Maritime National Park Association located at Pier 45, Shed A, at Fisherman's Wharf. (Resolution No. 04-73)

B. Request for approval of the Southern Waterfront Interim Use Condition Notification Guidelines. (Resolution No. 04-74)

7. PLANNING & DEVELOPMENT

A. Request for approval of the Work Product Provisions with Stanford Hospitality, Inc. for the Embarcadero Hotel Project at Broadway on Seawall Lots 323, 324 and 322-1. (Resolution No. 04-75)

B. BCDC/Port Joint Commission Planning Committee recommendations for Fisherman's Wharf. Request to accept the Planning Committee recommendations for Port property west of Kearny Street to Hyde Street including Jefferson Street to the Bay edge. (Resolution No. 04-76)

8. NEW BUSINESS / AGENDA SETTING

- New Business

- Agenda Setting (Targeted Commission meeting, subject to change)

  - Request authorization to advertise for competitive bids the construction of the Pier 35 Security Enhancements, Contract No. 2692. (September 14, 2004)
  - Request authorization to award contract for Heron's Head Park Education and Public Programs. (September 14, 2004)
  - Port of San Francisco Embarcadero National Register Historic District (September 14, 2004 Informational Hearing and September 28, 2004 Hearing and Commission action)
  - Policy for Disposal of Surplus Furniture, Fixtures & Equipment (FFE) (September 28, 2004)
  - Request authorization to award contract to conduct a feasibility study of Shoreside Power and Alternative Air Emission Technologies for James R. Herman International Cruise Terminal, Piers 30-32 (September 28, 2004)

9. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

10. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

B. CLOSED SESSION

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion and/or Action Items)

a. Discuss existing litigation matters pursuant to Section (a) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (3 cases):

- Coral Construction, Inc. v. John L. Martin, et al. and Schram Construction, Inc. v. City & County of San Francisco; San Francisco Superior Court, Consolidated Case Nos. 319-549 and 421-249.

- St. Paul Fire and Marine Insurance Co. v. City & County of San Francisco, San Francisco Port Commission, et al. U.S. District Court, Northern District of California, Case No. C04-0339JL

- City and County of San Francisco v. California Foundation on the Environment and the Economy, et al. San Francisco Superior Court Case No. CUD-611219, filed July 28, 2004.

  Proposed settlement of the unlawful detainer action filed on July 28, 2004 by the City and County of San Francisco, acting by and through the San Francisco Port Commission. Proposed settlement involves payment by defendant California Foundation on the Environment and the Economy to the Port in the amount of $40,143.20.

b. Discuss significant exposure to litigation pursuant to subdivision (b) of California Government Code Section 54956.9 (6 cases) (As Defendant)

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.

This session is closed to any non-City/Port representative. *

a. Property: Pier 9
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Signature Yachts (Pacific Marine Dining Yachts: Garrett O'Doherty

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 9.

b. Property: Pier 15 and 17 (at Embarcadero)
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Exploratorium: Dr. Goéry Delacôte

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 15 and 17 (at Embarcadero).

c. Property: Piers 27-31
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Piers 27-31 LLC: Steve Jacobsen

Under Negotiation: _____ Price _____ Terms of Payment __X__ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Piers 27-31.

11. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

12. ADJOURNMENT

AUGUST/SEPTEMBER 2004
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
August 31 (Special)	3:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
September 2, 2004	10:00 a.m.	Port Code Appeals Cmte	Bayside Conference Room @ Pier 1
September 9, 2004	1:30 p.m.	Port Code Appeals Cmte	Bayside Conference Room @ Pier 1
September 14	3:00 p.m.	Port Commission	Port Commission Room @ Ferry Building
September 28	3:00 p.m.	Port Commission	Port Commission Room @ Ferry Building

The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 3:00 p.m., unless otherwise noticed. ***The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com.*** Contact Amy Quesada at 274-0406.

The Brannan Street Wharf Citizens Advisory Committee meets on an as-needed basis to develop a concept plan for this planned open space in the South Beach area. Meetings are held in the Bayside Conference Room at Pier 1. Contact Dan Hodapp @ 274-0625 or dan_hodapp@sfport.com

The Cruise Terminal Environmental Advisory Committee generally meets the third week of each month. Date and time to be determined. Contact Michael Nerney at 274-0416.

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Contact Tiffany Bohee at 749-2481 for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Pier 70 Advisory Group meets monthly on an as-needed basis generally on the 2nd Wednesday of the month from 4 to 6 p.m. at the Potrero Campus of the California College of Arts and Crafts, Board Room, 1111 – 8th Street between Irvin and Hooper. Contact Mark Paez @ 705-8674.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Tiffany Bohee at 749-2481 or 749-2400 for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conference Room @ Pier 1. Contact Dan Hodapp @ 274-0625.

ACCESSIBLE MEETING INFORMATION

Getting to Pier 1: Pier 1 is located on the Embarcadero, at the foot of Washington Street. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Pier 1 area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets.
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington St., Folsom St. & Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals. A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact John Scott, Port's ADA Coordinator, at 274-0571. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102, by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org. Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall, the San Francisco Public Library or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

August 25, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon
Hon. Sue Bierman
Hon. Ann Lazarus

FROM: Monique A. Moyer
Executive Director

SUBJECT: Authorize Staff to Advertise for Competitive Bids for Construction of the Ferry Terminal TSA Security Enhancements, Contract No. 2698.

DIRECTOR'S RECOMMENDATION: AUTHORIZE STAFF TO ADVERTISE FOR COMPETITIVE BIDS FOR CONSTRUCTION OF THE FERRY TERMINAL TSA SECURITY ENHANCEMENTS, CONTRACT NO. 2698.

Introduction
Port staff requests Commission authorization to advertise for competitive bids for construction of the Ferry Terminal Security Enhancements, Contract No. 2698. Completion of this work will implement the requirements of the Transportation Security Administration (TSA) Port Security Grant DTSA20-03-G-01121 - Round 2, Project 221.

Background
The Port of San Francisco applied for and received a grant from the Transportation Security Administration for security improvements at the Pier 35 Cruise Terminal, Pier 80 Cargo Terminal, and Ferry Terminal. Each of the projects is being managed separately.

The Port Commission formally accepted the grant by Resolution No. 03-49 at its meeting of July 16, 2003.

The TSA has formally announced that 100% of the Ferry Terminal has been approved for reimbursement. Port staff has set up the necessary accounting.

This Print Covers Calendar Item No. **4A**

The scope of the Ferry Terminal TSA Security Enhancements project is as follows:

1. Addition of vehicular bollards to inhibit vehicle access to Ferry Terminal Gates B and E. The bollards are suitable for the existing urban street furniture within the Ferry Terminal complex, installed at the following areas:

   A. North side Ferry Terminal Plaza at the Embarcadero Sidewalk leading to Gate B.
   B. Rear center Ferry Terminal Plaza leading to Gate B.
   C. West side of the bridge leading to Gate E.
   D. East side of the bridge leading to Gate E.
   E. Alternate for two bollards at the apron arc between Piers 1 and 1 ½.

2. For both floats at Gates B and E, addition of security fencing and gates at electrical panels and emergency generators. Addition of fuel containment dams at generators.

3. For both floats at Gates B and E, replacement of door timers with 24 hour, 7-day-a-week type electrical timers.

4. Secondary Security Access Gate (pending Coast Guard approval of security provision of design): At both floats at Gates B and E, add secondary security access gate, with motorized operator. Purpose of this gate is to allow passengers to queue under canopy of main access ramp and limit access to the float.

5. For both floats at Gates B and E, replace fabric gates with manual metal access gates at boarding areas at six locations on each float.

The maximum amount of the TSA grant is $225,000, so the construction drawings and bid package have been developed as a series of additive alternates in order to expend the maximum amount of the grant. In addition, the grant requires a matching contribution by the Port in the amount of $25,000, which will be Port labor.

As required by federal regulations, the federal Disadvantaged Business Enterprise (DBE) program will be applied to this project, in lieu of the City's Interim DBE program. The DBE participation goal for this project is 30%.

Funding

The total cost of this phase of the Ferry Terminal TSA Security Enhancements project is estimated at approximately $218,000. The funding sources for this project are as follows:

Transportation Security Administration Grant DTSA20-03-G-01121 - Round 2, Project 221
$225,000

Through Resolution No. 03-49, adopted on July 16, 2003, the Port Commission authorized the acceptance of the TSA grant in the amount of $3,475,000 for the three projects (Pier 35, Pier 80, and the Ferry Terminal). The TSA has obligated federal aid reimbursement funds for the procurement and construction of the three projects. The Port staff will submit progress invoices to the TSA for reimbursement during construction as we are invoiced by the contractor.

Current Status

Port staff anticipates advertising for bids in September 2004 and awarding the construction contract in October 2004. Staff expects to issue the Notice to Proceed in October 2004 with construction completed in July 2005. As the construction documents are nearly complete, Port staff requests authorization from the Commission to advertise for competitive bids for this construction project.

Prepared by: John Paul Scott, Architect
For: Ed F. Byrne, Acting Chief Harbor Engineer

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-69

WHEREAS, The Port of San Francisco has been awarded a security grant from the Transportation Security Administration (grant number DTS 20-03-G-0112, herein called the "Grant"); and

WHEREAS, On July 16, 2003, the Port Commission approved acceptance of the Grant through Resolution No. 03-49; and

WHEREAS, $225,000 of the total grant amount of $3,475,000 is allocated to Project 221, Ferry Terminal TSA Security Enhancements; and

WHEREAS, The Port will contribute its equity with Port labor; and

WHEREAS, Expenditure of the Grant is necessary to improve the safety and security of the Downtown Ferry Terminal facilities as determined by security assessment by consultants; and

WHEREAS, The estimated cost of the project is $218,000; and

WHEREAS, Port staff has secured funding for this project and has nearly completed the final construction documents necessary to bid the construction project; now, therefore, be it

RESOLVED, That the San Francisco Port Commission hereby authorizes Port Staff to advertise for competitive bids for the construction of Project 221, Ferry Terminal TSA Security Enhancements, Contract No. 2698.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 31, 2004.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

August 25, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon
Hon. Susan Bierman
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Request for Authorization to Advertise for Competitive Bids for Construction Contract No. 2696, Pier 80 Security Enhancement TSA Grant 3 Project

DIRECTOR'S RECOMMENDATION: AUTHORIZE STAFF TO ADVERTISE FOR COMPETITIVE BIDS FOR THE PIER 80 SECURITY ENHANCEMENT TSA GRANT 3 PROJECT, CONTRACT NO. 2696

Introduction

Port staff requests that the Commission authorize the advertisement for competitive bids for construction Contract No. 2696, Pier 80 Security Enhancement TSA Grant 3 Project. The construction of the project will assist the Port in complying with security regulations mandated by the United States Coast Guard and improving security at the Port's cargo terminal at Pier 80.

Background

On February 10, 2004, the Port Commission adopted Resolution No. 04-12, authorizing acceptance and expenditure of $450,000 in grant funds from the Transportation Security Administration (TSA), U. S. Department of Homeland Security for the purpose of enhancing facility and operational security at the Port's cargo terminal at Pier 80. The Board of Supervisors authorized the Port to accept and expend the funds in April 2004 (Resolution No. 205-04).

The Port Engineering staff negotiated with the City's Bureau of Architecture, Department of Public Works, to provide design and construction management for the project. For these services, the two departments have agreed upon a total fee of $191,342.

This Print Covers Calendar Item No. **4B**

The construction documents are nearly complete. A series of additive alternates will also be included in the bid package in order to expend the maximum amount of the grant. Staff plans to complete this construction project by February 2005.

The project construction includes:

- A new security station as base bid item.
- Additional wireless surveillance cameras at Shed A and Shed D.
- An intrusion detection system at the Octagon Building.
- A new monitoring system from the Octagon Building, as alternate bids.

Funding

The total grant funding available for the project is $450,000. The Port's matching contribution ($50,000) will be in Port labor. The staff intends to allocate the grant funding as follows:

Design and construction management services fee	$191,342
Maximum construction cost	$258,658
Total:	**$450,000**

Summary

Port staff recommends that the Commission authorize the advertisement for competitive bids for construction Contract No. 2696, Pier 80 Security Enhancement TSA Grant 3 Project.

Prepared by: Ken Chu, Project Engineer,
For Ed F. Byrne, Acting Chief Harbor Engineer

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-70

WHEREAS, On February 10, 2004, the Port Commission adopted Resolution No. 04-12, authorizing acceptance and expenditure of $450,000 in grant funds from the Transportation Security Administration (TSA), U. S. Department of Homeland Security for the purpose of enhancing facility and operational security at the Port's cargo terminal at Pier 80; and

WHEREAS, In April 2004, the Board of Supervisors authorized the Port to accept and expend the funds (Resolution No. 205-04); and

WHEREAS, The construction of the project will assist the Port in complying with security regulations mandated by the United States Coast Guard and improving security at the Port's cargo terminal at Pier 80; and

WHEREAS, The project construction scope is described in the accompanying staff memorandum, and as set forth in the construction contract documents; and

WHEREAS, The Port Engineering staff negotiated with City's Bureau of Architecture, Department of Public Works, to provide design and construction management for the project, for a fee of $191,342; and

WHEREAS, Port staff and the design team have nearly completed the design and construction documents for the project; and

RESOLVED, That the San Francisco Port Commission hereby authorizes Port Staff to advertise for competitive bids for construction Contract No. 2696, Pier 80 Security Enhancement TSA Grant 3 Project

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 31, 2004.

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Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

August 24, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Susan Bierman
Hon. Kimberly Brandon
Hon. Ann Lazarus

FROM: Monique A. Moyer
Executive Director

SUBJECT: Adoption of the Port's Draft Statement of Incompatible Activities

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In November 2003 Proposition E was passed by the San Francisco voters, revising the City's conflict of interest laws. The resultant change in the Campaign and Governmental Conduct Code requires that each City department, board and commission submit to the Ethics Commission a statement of incompatible activities, listing those outside activities by officers and employees that are inconsistent, incompatible or in conflict with the duties of the officers and employees of that department, board, commission or agency.

Section 3.218 of the Campaign and Governmental Conduct Code requires that the initial statement must be submitted to the Ethics Commission by August 1, 2004. Port staff did submit the statement before August 1, 2004.

In accordance with Section 3.218, upon receipt of the Statement of Incompatible Activities the Executive Director of the Ethics Commission forwarded the Port's statement to the Civil Service Commission for their review and comment. The Civil Service Commission has begun hearings on statements received from a number of City departments, including the Port, and will continue to review the statements through September 2004. Upon completion of their review, the Civil Service Commission will comment upon and return the statements to the Ethics Commission whose staff will conduct meet and confer with unions representing affected Port employees. Following meet and confer, the Ethics Commission will approve statements of incompatible activities for every City agency.

This Print Covers Calendar Item No. 5A

A copy of the Port's draft Statement of Incompatible Activities is attached for your review. As required by Section 3.218, it prohibits outside activities by officers and employees that involve:

- use of Port time, facilities, equipment and supplies, and the use of the prestige of the officer's or employee's position for private gain or advantage;
- receipt or acceptance by a Port officer or employee of any money or other item of value from anyone other than the City and County for the performance of an act required or expected in the regular course of the officer's or employee's course of work;
- performance of an act outside of Port employment that may later be subject to the control, inspection, review, audit or enforcement of the Port;
- time demands that would render the officer's or employees duties less efficient.

As stated above, the final adoption of the Port's Statement of Incompatible Activities is under the jurisdiction of the Ethics Commission, whose staff will coordinate the meet and confer process with employee organizations that represent Port employees. It is recommended, therefore that you approve this draft Statement of Incompatible Activities with the understanding that it may be revised during the review and meet and confer process.

Prepared by: Kathy Mallegni
Assistant Deputy Director, Human Resources

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-71

WHEREAS, Section 3.218 of the San Francisco Campaign and Governmental Code requires that every City department, board, commission and agency of the City and County shall submit a statement of incompatible activities to the Ethics Commission; and

WHEREAS, Port staff has drafted a statement of incompatible activities for officers and employees of the Port and forwarded it to the Ethics Commission; and

WHEREAS, the Ethics Commission, as required by Section 3.218 of the San Francisco Campaign and Governmental Code, has forwarded the draft to the Civil Service Commission for comment and will, after receipt of comment from the Civil Service Commission, direct meet and confer with employee organizations representing Port employees; and now, therefore be it

RESOLVED, that the Port Commission approves the Port's Statement of Incompatible Activities with the understanding that it may be amended during the review process by the Civil Service Commission and the Ethics Commission, and through the meet and confer process with employee organizations representing Port employees.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of August 31,2004.

_____

Secretary

DRAFT

STATEMENT OF INCOMPATIBLE ACTIVITIES FOR THE PORT OF SAN FRANCISCO

This Statement of Incompatible Activities is required by San Francisco Campaign and Governmental Conduct Code section 3.218. This Statement does not specify every possible limitation on incompatible activities. It is intended to provide guidance to employees about what types of activities are incompatible with their duties to the Port of San Francisco (Port). Engaging in the activities identified in this Statement as incompatible may subject an officer or employee to discipline, as well as to monetary fines and penalties. (C&GC Code § 3.242.) No discipline or penalties may be imposed for engaging in incompatible activities until the officer or employee has an opportunity to explain why the activity should not be deemed incompatible. (C&GC Code § 3.218.)

Nothing in this Statement shall exempt any person from applicable provisions of other laws. Any questions about the interpretation of this Statement should be directed to the Port Director, the Port's Human Resources Manager or the employee's immediate supervisor.

I. GENERAL

The mission of the Port, as a public enterprise department of the City and County of San Francisco, is to promote a balance of maritime, recreational, industrial, transportation, public access and commercial activities on a safe, secure and self-supporting basis through appropriate management and development of the 7.5 miles of the San Francisco waterfront for the public benefit. The following activities are incompatible with that mission and may not be engaged in by any officers or employees of the Port.

- Performance of an act in other than his or her capacity as a Port officer or employee which may later be subject directly or indirectly to the control, inspection, review, audit or enforcement by the same officer or employee or the agency by which he or she is employed.

- Use of Port resources or performance of work of any nature on a personal basis outside of working hours for a tenant, customer or vendor of the Port of San Francisco or his or her sub-tenant.

- Transportation of commercial material or supplies, which are used for other than Port purposes, in Port of San Francisco vehicles.

- Unauthorized use of Port facilities, vehicles, tools and/or equipment for personal use or for other Port employees' personal projects before, during or after working hours.

- Directly or indirectly soliciting, seeking or accepting gifts, personal loans, gratuities, compensation or favors from any firms or agents who engage in business with the Port of San Francisco or as a matter of resolution to negotiated matters.

- Using any information not readily available to the general public, gained in the course of Port employment, for private gain or advantage, or for the gain or advantage of another person doing business with the Port.

- Engaging in outside activity, including employment with a private employer, government entity or nonprofit organization, which will require or induce the employee to disclose confidential information acquired in the course of his/her Port duties.

- Engaging in outside employment, including employment with another government entity or nonprofit organization, which will impair independence of judgment as to his/her Port duties.

- Representing a tenant, sub-tenant, customer, vendor, contractor or sub-contractor in negotiations with staff or in hearings of the Port Commission, Board of Supervisors or other City Commissions.

- Acceptance of any compensation, reward or gift from any sources except those to which he/she is entitled as an employee of the Port, except for fees for speeches or published writing, or additional part-time employment as provided in Civil Service Commission Rules or applicable collective bargaining agreements.

- Engaging in any activities, not specifically included herein, that are prohibited by Charter Section C8.105 Conflict of Interest and Other Prohibited Practices.

In addition to the activities that are incompatible for all officers or employees of the Port, the following activities are incompatible for persons holding specific positions:

- For engineers, architects, engineering and architectural associates and assistants, building inspectors, construction inspectors, project managers and Maintenance Department employees: providing engineering, design, project management, inspection, construction or maintenance services outside of assigned Port duties for a Port contractor, sub-contractor, tenant, vendor or customer; or prospective Port contractor, sub-contractor or tenant vendor or customer.

- For employees who have access to bid and/or contracting information: disclosure of the terms and conditions of contractual items under negotiation; or disclosure of internal Port information that is not equally available to all potential bidders or potential respondents to a request for proposals and except as to routine, non-substantive matters.

II. USE OF DEPARTMENTAL RESOURCES AND PRESTIGE OF OFFICE

A. Use of Department Resources

City resources, including telephone, computer, fax machine, materials, supplies and equipment, may not be used for non-Port purposes.

- Notwithstanding this prohibition, occasional and short-duration use of the telephone to communicate about personal or family matters such as doctor appointments, child care, transportation arrangements, or meeting times and similar de minimis uses will not constitute a violation of this section.

- No calls or emails involving outside City employment are permitted on City telephones or equipment. If a call or email relating to outside employment is received, the officer or

employee should inform the person of the appropriate non-City contact information and conduct the conversation at another time not using City resources.

B. Use of Prestige of the Office

Officers and employees may not use their City title or designation for any private gain or advantage.

- Officers and employees may not present themselves in the course of an outside activity as a representative of, or acting in the name of, the Port.

- Officers and employees may not make, participate in making or in any way attempt to use their official position to influence a Port decision in which the officer or employee (or someone connected to them as defined in California Government Code Section 87103) has a material financial interest.

- Officers and employees may not directly or indirectly solicit, seek, or accept personal loans, gifts, gratuities, business, compensation, discounts or favors from any public jurisdiction, private business firm or their agents, who do business with the Port or any department of the City and County of San Francisco.

III. COMPENSATION FOR ASSISTANCE WITH CITY SERVICES

Officers and employees may not receive or accept anything of value from anyone other than the City for the performance of an act the officer or employee would be expected to render in the regular course of service to the Port.

Employees may not:

- Perform any consultation work for a fee or other remuneration concerning the application or interpretation of orders, directives or other communications of the Port.

- Provide any work for an outside contractor for facilities controlled by the Port or its tenants, vendors, or customers.

- Accept any remuneration, gift or other item of value in exchange for a any party's occupancy or custody of Port facilities in the absence of a fully executed lease, permit to enter, or license agreement, or maritime terminal agreement.

- Engage in outside employment with another government entity or nonprofit organization, or with an entity which has a contract, agreement, lease or license with the Port.

- Review or provide advice to a prospective contractor or subcontractor related to a Request for Proposal or Request for Qualifications prior to the submission of a written response, proposal or statement to the Port for official review; except when such advice is made equally available to all prospective bidders, respondents, contractors and subcontractors and except as to routine, non-substantive matters.

- Require a current or prospective contractor, lessee, licensor, vendor or customer to do business with a specific vendor in return for securing the contract or facility.

Nothing is this section shall preclude an employee's receipt of a bona fide award provided in recognition of the employee's exceptional service to the Port or City, and which is not provided in return for the rendering of specific services

IV. ACTS SUBJECT TO REVIEW BY THE DEPARTMENT

Officers and employees may not engage in outside activities that are subject to the control, inspection, review, audit or enforcement of the Port. For the Port, employees may not:

- Provide design services, inspection services, construction and/or maintenance work, services, materials or labor as a private contractor in connection with a project, facility or property that will later be subject to review or inspection by Port staff

- Review any prospective contractor's or subcontractor's bid or provide advice to a prospective contractor or subcontractor related to a Request for Proposal or Request for Qualifications prior to the submission to the Port for official review of written bids, responses, proposals or statements, except where such advice is made equally available to all prospective bidders, respondents and contractors; or when such advice relates to routine, non-substantive matters.

V. TIME DEMANDS

Unless otherwise provided in a collective bargaining agreement, employees may not engage in outside activities with another government agency, private employer or non-profit agency with time demands that would render performance of the employee's duties for the Port less efficient. An employee may not engage in such outside employment if such employment:

- Impairs the efficiency or interferes in any way with the full and proper performance of the employee's regular Port employment;
- Requires that work be performed during normal Port working hours;
- Requires the unauthorized use of Port facilities, vehicles, tools and/or equipment;
- Requires more than 20 hours of work per week;
- Requires absence from the office during the regular workday on more than an occasional basis;
- Is in a hazardous occupation that would involve a substantial risk of injury to the employee, as determined by the City's Human Resources Director.

PORT OF SAN FRANCISCO

MEMORANDUM

August 25, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Sue Bierman
Hon. Kimberly Brandon
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Request Authorization to Issue a Request for Proposal (RFP) to 501c3 non-profit organizations for a Youth Employment Program to Help Maintain the Port's Property

DIRECTOR'S RECOMMENDATION: AUTHORIZE STAFF TO ISSUE A REQUEST FOR PROPOSAL (RFP) TO 501C3 NON-PROFIT ORGANIZATIONS FOR A YOUTH EMPLOYMENT PROGRAM TO HELP MAINTAIN THE PORT'S PROPERTY

Background and Description of the Proposed RFP

During its review of the Port's FY 2004-05 budget, the Board of Supervisors appropriated $150,000 of the Budget Analyst's cuts to fund a youth employment program at the Port aimed at providing jobs to economically disadvantaged and/or at-risk San Francisco youth ages 16 through 24. To provide this youth employment program, Port staff is proposing to issue a Request for Proposal (RFP) to 501c3 non-profit organizations to organize, implement, and administer such a program to help maintain the Port's property. Maintenance activities would include weed abatement, hand watering and manual fertilization of Port plants, graffiti removal, and litter removal. We estimate that a contractor should be able to employ approximately 10 youth annually with the $150,000 at approximately $10 per hour working three to four hour shifts for varying days per week depending on whether they are in school. We estimate that the selected contractor will require two supervisors to oversee the youth's work in the field as well as a contract manager to be the Port's main point of contact.

We propose a 5-year grant agreement subject to continued funding to allow the Port flexibility to continue the program if it is successful and to terminate it if our financial condition worsens. Port staff selected a grant agreement rather than a professional services contract after discussions with staff from the Department of Public Works (DPW) who have done similar programs and found that only non-profit organizations provide these types of services. The City uses grant agreements to contract with non-profit organizations.

This Print Covers Calendar Item No. **5B**

With the Port's support, the selected contractor will need to recruit, hire, provide work readiness and safety training, and supervision for the youth employees. Port staff will assign specific Port areas to maintain each week to the contractor. Port staff and the contractor will regularly meet to identify and develop strategies to avoid potential safety hazards. Port staff will inspect the areas to determine performance levels and consult with the Contractor to assure acceptable service performance levels are maintained. Port staff will provide the contractor with initial safety orientations and the supplies used by the youth employees such as vests, hats, bags, and brooms.

Target Population

As previously noted, the Budget Committee's intent is to provide employment opportunities to economically disadvantaged and/or at-risk San Francisco youth ages 16 through 24.

Funding

The RFP is for the entire $150,000 that will come from the Port's annual operating budget. To the extent the program is successful and depending on the Port's financial condition, we will request $150,000 in subsequent annual budgets through FY 2008-09 to fund this program and contract.

RFP Schedule

The Port will issue the RFP as soon as the Port Commission authorizes staff to do so. The proposed schedule thereafter is as follows:

Proposal Phase	**Date**
RFP is advertised and issued by the City	September 2, 2004
Pre-proposal conference	September 9, 2004
Deadline for submission of written questions or requests for clarification	September 15, 2004
Proposals due and received no later than 5 p.m.	September 22, 2004
Technical Review Period	Through September 27, 2004
Oral interview with firms selected for further consideration	October 4, 2004
Notify Successful Candidate	October 6, 2004
Contract Negotiation Period	October 7-12, 2004
Anticipated Notice to Proceed Upon Contract Certification	October 17, 2004

Summary

Port staff recommends that the Commission authorize the issuance of a Request for Proposals to provide a youth employment program to help maintain Port property for a five-year contract term, as described in this staff report.

Prepared by: Tina Olson

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-72

WHEREAS, The Board of Supervisors appropriated $150,000 in the Port's FY 2004-05 budget to fund a youth employment program targeting economically disadvantaged and/or at-risk youth; and

WHEREAS, the Port needs assistance in maintaining its property for which youth could be employed; and

WHEREAS, the Port doesn't have the expertise to recruit, hire, provide work readiness training, and supervision for the youth employees; and

WHEREAS, to implement this program, Port staff is proposing to issue a Request for Proposal (RFP) to 501c3 non-profit organizations to organize, implement, and administer a youth employment program to help maintain the Port's property; and

WHEREAS, after solicitation and evaluation of proposals, Port staff will seek Commission authorization to award a grant for the services described herein for a 5-year term, based on available funding; now, therefore be it

RESOLVED, that the Port Commission hereby authorizes the Port staff to issue a Request for Proposal (RFP) to 501c3 non-profit organizations for a youth employment program to help maintain Port property.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 31, 2004.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

August 26, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon
Hon. Sue Bierman
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director *M Moyer*

SUBJECT: Approval of Lease No. L-13700 with the San Francisco Maritime National Park Association for Shed Space, Exclusive Berthing Area and the Non-Exclusive Use of the Pier Apron at Pier 45, Shed A (The Embarcadero at Taylor Street).

DIRECTOR'S RECOMMENDATION: APPROVE LEASE NO. L-13700

BACKGROUND

Since June 15, 1981 the San Francisco Maritime National Park Association, through its predecessor entity, the National Maritime Museum Association, has been a licensee of apron and a berthing space at Pier 45, Shed A used for berthing the USS Pampanito pursuant to a Port License to Use Space, Non-Exclusive No. 10486. Prior to the 1989 earthquake, the National Maritime Museum Association also had a license for adjacent storage space in Pier 45 Shed A, but was forced to vacate the space after the Loma Prieta earthquake.

In January 1997, the Port Commission approved entering into two month-to-month leases with the San Francisco Maritime National Park Association (Port Commission Resolution No. 97-02). Pursuant to Lease No. 12242, the San Francisco Maritime National Park Association leased 2,024 square feet of shed space in Pier 45, Shed A for office, storage and maintenance uses directly related to the berthing and operation of the World War II United States Navy submarine, the USS Pampanito. Under Lease No. 12301 the San Francisco Maritime National Park Association leased the non-exclusive use of 15,921 square feet of pier apron and 8,736 square feet of water space at Pier 45, Shed A to berth the USS Pampanito. In addition to the combined base rents of $3,310.80 per month, the San Francisco Maritime National Park Association also agreed to pay percentage rent equal to six percent (6%) of all ticket sales and nine percent (9%) of all gift shop sales. Since January 1, 1997, the San Francisco Maritime National Park Association has paid $241,256.00 in base rent and $209,949.00 in total percentage rent pursuant to these leases.

THIS PRINT COVERS CALENDAR ITEM NO. **6A**

The San Francisco Maritime National Park Association is a non-profit corporation whose stated mission is to support the preservation and application of America's and San Francisco's maritime heritage through its many educational endeavors. Chief among these educational efforts is the maintenance and preservation of the United States Navy World War II era submarine, the USS Pampanito, which has been moored at Pier 45 for the past 23 years. The USS Pampanito and the San Francisco Maritime National Park Association's small museum, gift shop and submarine tours have pleased and educated literally millions of San Franciscans and visitors to Fisherman's Wharf.

The San Francisco Maritime National Park Association views the USS Pampanito as serving these primary functions:

1. A memorial to the World War II submarine veterans and sailors;
2. A museum documenting the role and significance of American submarines in the Pacific Theater of World War II; and
3. An educational site acquainting students and the general public with the history and technology of submarines.

As part of that effort, the San Francisco Maritime National Park Association provides docent guided tours of the USS Pampanito and a small interpretive display on the Pier 45 Shed A apron adjacent to the USS Pampanito. In addition to the regular tours, special on board "Breakfast Tours" are offered, as well as an extremely popular "Overnight" program, which allows Bay Area school children the opportunity to live on board the USS Pampanito for an evening as part of their educational program. Each year, more than 15,000 students are served by the San Francisco Maritime National Park Association programs on board the USS Pampanito. This is in addition to the more than 120,000 other visitors to the USS Pampanito each year.

The San Francisco Maritime National Park Association believes that the development of a small indoor museum and classroom next to the USS Pampanito is essential to fully accomplish its stated mission. It will allow the public to enjoy the USS Pampanito experience in a comfortable environment, especially on days accompanied by inclement or rainy weather. The proposed classroom will allow the Association to provide programs for classroom size school groups. A cutting edge virtual tour and participatory visual experience would enhance the museum's other offerings of historic submarine artifacts and memorabilia. A larger gift shop would enable the Association to increase its contribution base.

The USS Pampanito is not wheelchair or accessibility device accessible and cannot be made so without destroying the historic and structural integrity of this national historic monument. An exhibit gallery and classroom in the Pier 45 Shed would offer visitors to the USS Pampanito, who are physically or otherwise unable to board the USS Pampanito and descend her steep and narrow ladderways, the opportunity to enjoy an alternate museum experience. This is an extremely important aspect of the museum, particularly as those remaining World War II submariners and other veterans become older and less agile than younger visitors.

The addition of a formal presentation classroom will allow the San Francisco Maritime National Park Association to serve larger school and other tour groups. It would be ADA accessible and would be available to other local community groups for use as a meeting space.

In order to qualify for certain grants and loans it will need to build this new interpretive center, museum and classroom, the San Francisco Maritime National Park Association believes that it will need a long-term lease with the Port. In fact, the Association has already received a grant from the State of California that requires evidence of a long-term lease before it can access the grant funds.

To that end, San Francisco Maritime National Park Association and Port Real Estate staff have negotiated the terms of a new lease (Port Lease No. L-13700), providing for a 24-year lease term, the salient provisions of which are as follows:

Premises: Parcel A: Approximately 8,095.50 square feet of Shed Space at Pier 45 Shed A. This represents a 5,683 square foot expansion of the existing 2,024 square feet now occupied by the San Francisco Maritime National Park Association.
Parcel B: The non-exclusive use of approximately 9,197 square feet of Apron Space adjacent to the Parcel A Shed Space and the USS Pampanito's berthing space.
Parcel C: Exclusive Berthing Rights along 312 linear feet of Pier 45 Shed A, containing approximately 8,736 square feet of water area.

Term: Preliminary Term: September 1, 2004 through the earlier of the Port's issuance of a Certificate of Final Completion for the new museum interpretive center and classroom or August 31, 2008.
Operational Term: 20 years, commencing upon the termination of the Preliminary term and expiring 20 years thereafter.

Rent: **Base Rent:**
Preliminary Term: $4,200.00 per month
Operational Term: $5,550.00 per month

Rent Adjustments:
1. Annual CPI adjustment
2. During the Operational Term the rent will be adjusted every five (5) years to the greater of 70% of the aggregate monthly Base Rent and Percentage Rent payable to the Port for the preceding three (3) Lease years, or pursuant to the annual CPI adjustment.

Percentage Rent: 6% of Ticket sales.
9% of Gift Shop sales.
The San Francisco Maritime National Park Association agrees to pay to the Port percentage rent, when 6% of ticket sales and 9% of all retail sales exceed the monthly Base Rent obligation. The proposed lease provides for an annual reconciliation ("true-up") of monthly percentage rent payments.

Use: The Premises will be used for the berthing of the USS Pampanito and the operation of a maritime museum, including ticket sales, tours of the USS Pampanito, an interpretive center, educational classrooms, gift shop, offices and maintenance support facilities for the USS Pampanito.

Maintenance and Repairs: Tenant Responsibility: The San Francisco Maritime National Park Association will be responsible for all repairs and maintenance to the shed space and all other maintenance, except as noted below.

Port Responsibility: The Port will be responsible for maintaining the common areas of Pier 45 Shed A, the Pier 45 substructure and the Pier 45 Shed A roof and exterior walls in watertight condition.

Dredging: Neither the Port nor the Tenant shall be obligated to perform any dredging. The Port does not warrant the maintenance of the existing or any future water depth. Should the San Francisco Maritime National Park Association determine to undertake any dredging, the Port will cooperate in its efforts to secure needed regulatory approvals, subject to reimbursement for the Port's actual costs in so doing.

Port Walk Contribution: At such time as the Port has designed and secured all regulatory approvals for the installation of the "Port Walk" public access improvements at Fisherman's Wharf, the San Francisco Maritime National Park Association will make a one-time contribution to the project in the amount of $5,000.00.

Obligation to Build: As a material consideration for the Port's agreement to enter into this proposed lease, the San Francisco Maritime National Park Association agrees to undertake the development of a museum, interpretive center, classroom, office and maintenance facility complex in the Pier 45 Shed A Premises. Conceptual drawings of the project are attached to this memorandum as Exhibit B. The construction for the "Museum Project" must commence within four years and be completed by the end of the fifth year. The San Francisco Maritime National Park Association's proposed schedule anticipates that the first three years of the term would be used for fundraising for the Museum Project, while it continues to operate the existing museum.

If construction has not begun by the end of the fourth lease year, the term reverts to a month-to-month lease and the Pier 45 Shed A Premises will be reduced to the existing 2,024 square feet.

If construction has commenced by the end of the fourth lease year, but has not been completed by the end of the fifth lease year, the lease will terminate automatically and without notice.

Environmental and Regulatory Approvals: The San Francisco Maritime National Park Association will be responsible for securing all environmental and regulatory permits and approvals for the Museum Project, including any Bay Conservation and Development Commission permits and approvals. The City Planning Department has already issued a letter of determination establishing that no further environmental impact assessments are required, as the proposed Museum Project falls within the Port's General Rule Exclusion. Port staff has determined that, as proposed, the proposed Museum Project design is consistent with the "Secretary Standards" administered by the U. S. Department of Interior National Park Service. As such, its development should have no adverse impact on the Port's ongoing efforts to secure a National Historic District incorporating Pier 45.

Discussion: The 23-year presence of the USS Pampanito and its operation as a museum, visitor center and tourist attraction have been well received by the Port, the Fisherman's Wharf community, visitors to the City and the citizens of San Francisco and the Bay Area.

The San Francisco Maritime National Park Association presented a design scheme and operations outline to the Fisherman's Wharf Advisory Group and received an enthusiastic response. Similarly, the Fisherman's Wharf Merchant's Association has endorsed the Museum Project and the proposed lease.

The terms of the proposed lease are consistent with all Port and City lease requirements. Although the San Francisco Maritime National Park Association is a true "Maritime" tenant, the Base Rent provided for in the proposed lease is within Port Commission approved minimum effective rent for non-maritime tenants. The San Francisco Maritime National Park Association has sought no rent credits. Other than routine building and substructure maintenance for this multi-tenanted facility, the Port bears no additional maintenance and repair responsibilities. There is no obligation to dredge, either by the Port or the Tenant.

The expansion of the shed space will allow for construction of a much needed interior classroom, gift shop and interpretive center. This will permit the San Francisco Maritime National Park Association to expand its tour and museum related attractions, resulting in increased ticket and gift shop sales. These increased sales will generate additional percentage rent to the Port. In addition, the proposed lease provides for an increase in base rent, with provision to increase further base rent by applying a periodic "lock" of 70% of the previous three year average of Percentage and Base Rent totals every five years. The San Francisco Maritime National Park Association anticipates that the total investment into the Museum Project will exceed $1.4 Million.

RECOMMENDATION:

Port staff recommends Port Commission approval of proposed Lease No. L-13700 with the San Francisco Maritime National Park Association.

Prepared by: Nicolas J. Dempsey, Asset Manager, Real Estate

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-73

WHEREAS, Section 3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and

WHEREAS, Section 3.581(g) of the Charter of the City and County of San Francisco provides that leases granted and made by the Port Commission should be administered exclusively by the operating forces of the Port Commission; and

WHEREAS, By Resolution of the Port Commission, the Port Commission and the San Francisco Maritime National Park Association, a California corporation ("Association") entered into those certain leases ("Original Lease") dated for reference purposes only as of December 1, 1996; and

WHEREAS, The Original Leases were for a month-to-month term; and

WHEREAS, The Association desires to expand the interpretive center, museum, static displays and educational programs associated with the berthing of the World War II U.S. Navy submarine USS Pampanito, pursuant to the terms of the Original Leases; and

WHEREAS, The Association has requested that the Port Commission enter into a new lease that will allow for the enlargement of the Premises and an extension of the lease term required for the proposed expansion of the museum and interpretive center and related functions; and

WHEREAS, The Association and Port Commission staff have negotiated all of the terms and conditions of a proposed lease (Port Commission Lease No. L-13700); and

WHEREAS, The best interests of the City and County of San Francisco and the Port Commission will be served by entering into proposed Port Commission Lease No. L-13700; and now be it

RESOLVED, That the Port Commission hereby approves the terms and conditions of Port Commission Lease No. L-13700, as set forth in the copy of said lease on file with the Port Commission Secretary; and be it further

RESOLVED, That the Port Commission hereby approves, confirms and ratifies all prior actions taken by the officials, employees and agents of the Port Commission or the City and County of San Francisco with respect to Port Commission Lease No. L-13700; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director to execute the Port Commission Lease No. L-13700 including all exhibits thereto consistent with the terms and conditions set forth in the Staff Memorandum and in a form to be approved by the City Attorney; and be it further

RESOLVED, That the San Francisco Port Commission authorizes the Executive Director to enter into any addition, amendments or other modifications to Port Commission Lease No. L-13700 (including without limitation, preparation and attachment of, or changes to any and all exhibits) and that the Executive Director, in consultation with the City Attorney, determines that it is in the best interests of the City, do not increase or decrease the rent or otherwise do not materially increase the obligations or liabilities of the City, and are necessary or advisable to complete the transactions to Port Commission Lease No. L-13700 in accordance with this resolution or to otherwise effectuate the purpose and intent of this resolution, such determination to be evidenced by the execution and delivery by any such person or persons of any such documents; and be it therefore

RESOLVED, That the San Francisco Port Commission authorizes and urges the Executive Director and any other appropriate officers, agents or employees of the City to take any and all steps (including but not limited to, the execution and delivery of any and all certificates, agreements, notices, escrow instruction, closing instructions or other documents) as they or any of them deem necessary or appropriate, in consultation with the City Attorney, in order to consummate the transactions incorporated in Port Commission Lease No. L-13700 in accordance with this resolution, or to otherwise effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by any such person or persons of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 31, 2004.

_____
Secretary

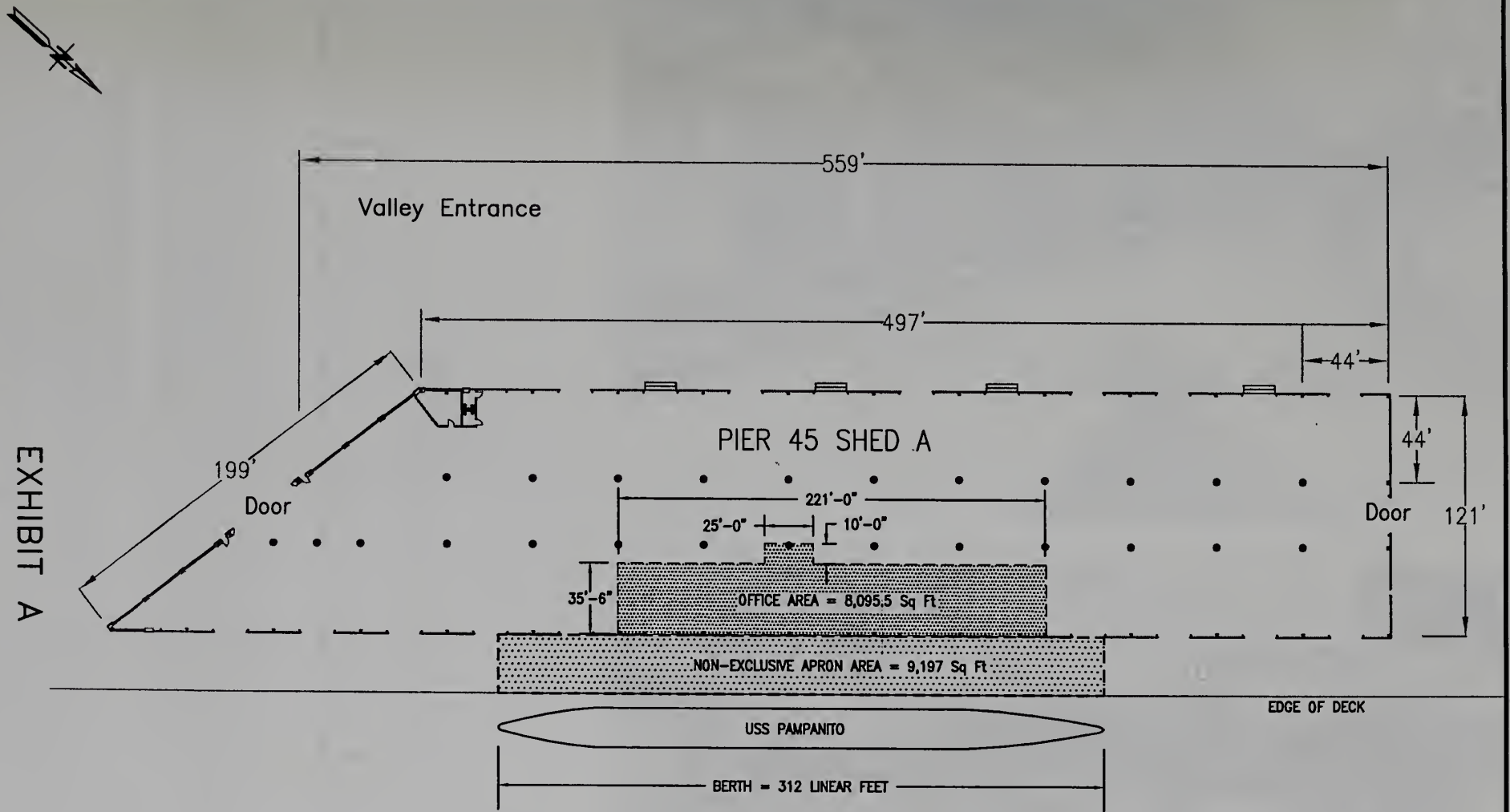

EXHIBIT A

INITIALS: PORT: _____ TENANT: _____ DATE: _____

SAN FRANCISCO MARITIME NATIONAL PARK ASSOCIATION

SHED OFFICE AREA = 8,095.5 Sq Ft

NON-EXCLUSIVE APRON AREA = 9,197 Sq Ft

BERTH = 312 LINEAR FEET

LEASE NO. L-13642	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENANT SAN FRANCISCO MARITIME NATIONAL PARK ASSOCIATION	DRAWN BY: ECC; DATE: MAY 4, 2004 CHECKED BY: P WILLIAMSON; SCALE: 1" = 80' PLACE CODE NO. 1450-SA; SHEET NO. OF SHEETS

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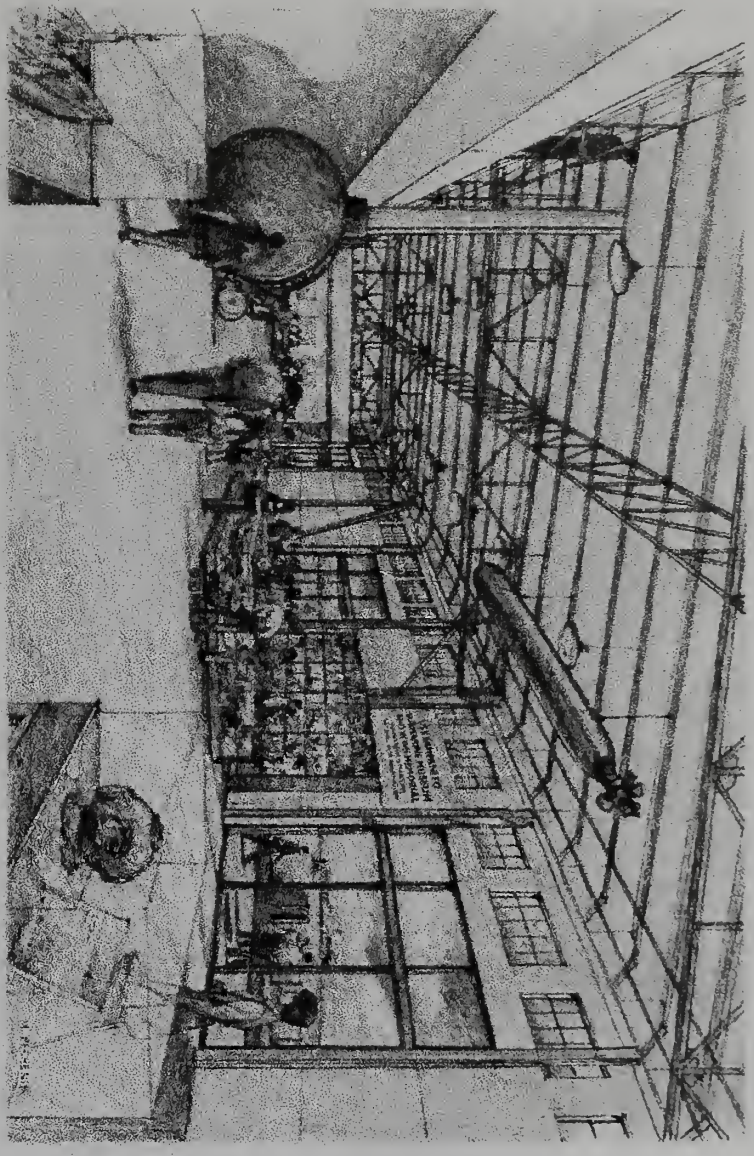
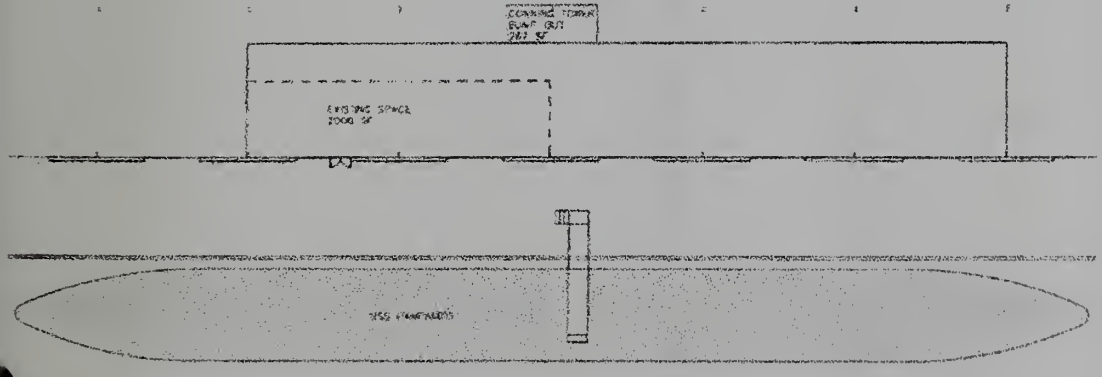


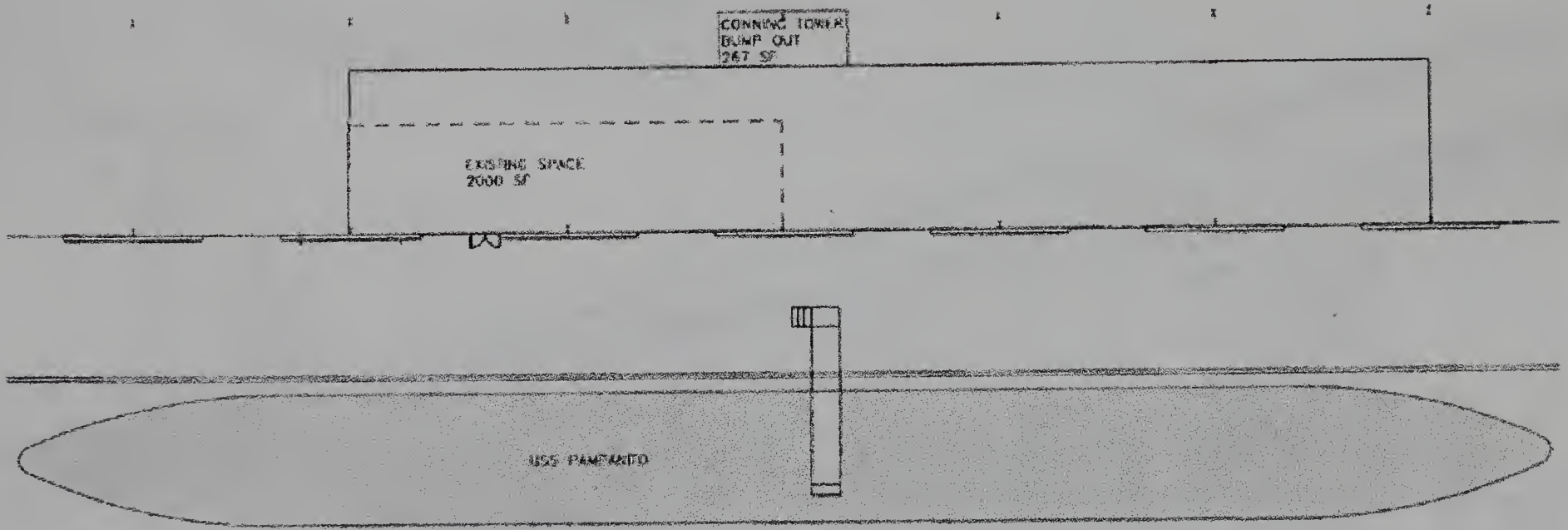


AREAS CALCULATED BASED ON DRAWINGS PROVIDED. AREAS ARE TO INSIDE FACE OF EXTERIOR WALL AND ASSUMING CENTER LINE OF INTERIOR WALLS.

USS PAMPANITO MUSEUM AND CLASSROOM

SCALE 1" = 32'-0"

EXHIBIT B



AREAS CALCULATED BASED ON DRAWINGS PROVIDED. AREAS ARE TO INSIDE FACE OF EXTERIOR WALL AND ASSUMES CENTER LINE OF INTERIOR WALLS.

USS PAMPANITO MUSEUM AND CLASSROOM

SCALE 1" = 30'-0"

EXHIBIT B

USS PAMPANITO (SS 383)
RUSSELL BOOTH MEMORIAL MARITIME MUSEUM
USS PAMPANITO SUBMARINE MUSEUM AND WWII MEMORIAL

EXHIBIT B

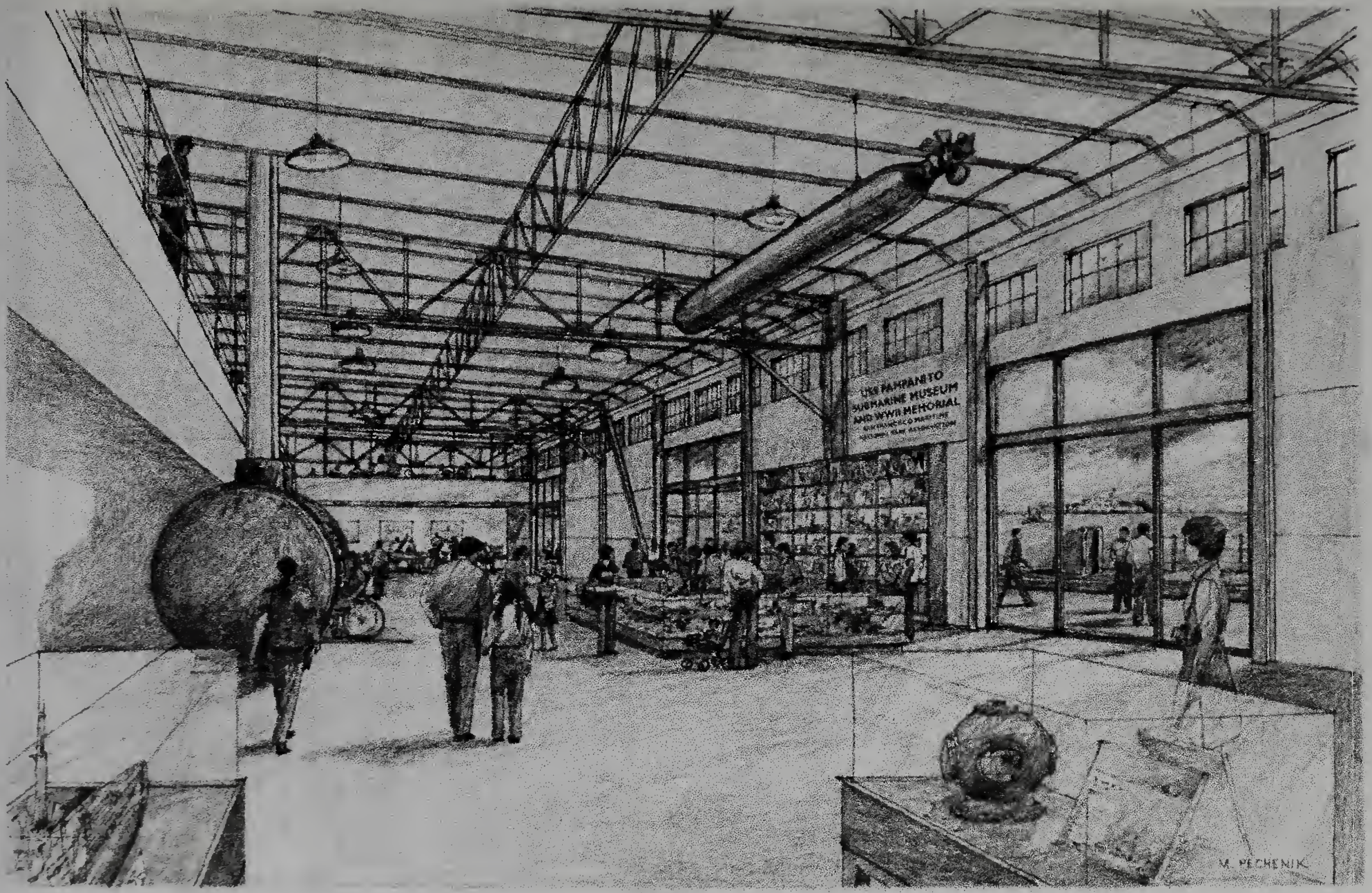

USS PAMPANITO
SUBMARINE MUSEUM
AND WWII MEMORIAL
M. PECHENIK

EXHIBIT B

PORT OF SAN FRANCISCO

MEMORANDUM

August 25, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon, Commissioner
Hon. Sue Bierman, Commissioner
Hon. Ann Lazarus, Commission

FROM: Monique Moyer
Executive Director

SUBJECT: Approval of Southern Waterfront Interim Use Condition Notification Guidelines

DIRECTOR'S RECOMMENDATION: APPROVE RESOLUTION

BACKGROUND

The Port has developed guidelines and practices to improve the siting of interim uses in the Southern Waterfront, from Pier 70 to India Basin. With the presence of SF Drydock ship repair at Pier 70 and the Port's cargo terminals at Piers 80, 90, 92, and 94-96, the Southern Waterfront is an industrial district that must be retained to support and enhance these maritime industries essential to the Port's mission. While substantial areas of Port property at Pier 70 and Pier 90-94 backlands are targeted for eventual redevelopment, interim uses within these and adjacent Port lands are necessary to generate revenue to support maritime industries, public access, Port maintenance, historic preservation and waterfront revitalization.

Working with its community advisory groups including the China Basin/Pier 70, Southern Waterfront and Maritime Commerce Advisory Committees over the past five years, the Port has gained a greater understanding of the interrelationships between land uses on Port property and the surrounding community. It is recognized that within the broad spectrum of industrial businesses or entities that may seek occupancies on Port property, the Port shall consider uses compatible for the entire community. Industrial uses that generate noise, dust and other nuisances should incorporate effective measures to minimize those impacts and be located away and/or buffered from highly populated areas.

THIS PRINT COVERS CALENDAR ITEM NO. **6B**

The Port is proposing guidelines for notification of interim uses of Port property in the Southern Waterfront to facilitate community awareness and communication. We envision the following approach to inform the China Basin/Pier 70 and Southern Waterfront communities of proposed interim uses:

1. Identification of certain Port areas where restrictions would be placed on uses, to avoid undue burdens on adjacent neighbors.
2. Utilization of pre-screening worksheet and lease application to obtain and organize relevant information for inter-divisional review.
3. Institution of a prospective tenant worksheet describing tenant business profile/characteristics for specific facilities.
4. Review of all tenant pre-screening/lease application worksheets by Port departments to determine acceptability of tenancy.
5. Communication with community advisory groups, presenting a monthly report of prospective tenants and additional reports to be presented as may be required.

1. **Identification of Certain Port Areas to be Restricted.** Some types of industrial uses, which would impose undue burdens on neighboring areas that contain residential uses, or inhibit the Port's ability to pursue public benefit improvements in the near term may be restricted on the Port's Southern Waterfront lands. For purposes of this discussion, we have prepared the attached map ***(See Attachment A),*** identifying "zones" where certain uses would typically not be permitted. Heavy industrial uses for this area will be required to meet higher standards with respect to appropriate use, hours of operation, security, air and water quality issues, traffic generation and aesthetic considerations related to general appearance of tenant's leasehold.

2. **Pre-screening worksheet and lease application.** The pre-screening worksheet and lease application will be organized and used by the Port to identify whether a prospective tenant is proposing uses that are consistent with the Port's basic leasing criteria. ***See Attachment B, Southern Waterfront Pre-Leasing Worksheet.***

3. **Prospective Tenant Worksheet Describing Tenant business Profile/Characteristics.** A business profile and summary of prospective users will be reviewed by all Port divisions to confirm that the proposed use is consistent with those permitted for the relevant zone. ***See Attachment C, Southern Waterfront Prospective Tenant Worksheet.***

4. **Review by Port Departments.** Port review and coordination of information provided on the pre-screening worksheet and lease application forms will be used to determine acceptability of the proposed use. Port's Planning, Real Estate and EH&S Divisions shall review and assess uses proposed by prospective tenants.

5. **Communicate with Community Advisory Groups.** Once the Port completes the review of a prospective tenant and has determined that a prospective tenant is acceptable for Port occupancy, the Port will include: 1) the proposed use; 2) the proposed location and size of the premises; 3) any necessary permits and the level of environmental review that will be

required for the use proposed by the tenant as well as any mitigation measures that may be required of the tenant. Community Advisory Group members may follow up with staff if further information is required within a 10-day community review period. If a significant number of Advisory Group members raise issues regarding a proposed use, Port staff will recommend that the proposed use be discussed at a full advisory group meeting. Any issues raised by advisory group members will be considered during negotiations with the prospective tenant and discussed with the Port Commission upon finalizing the lease agreement for Commission approval.

The Port may sign temporary use agreements for short term (i.e., 2 months), without following the above process, for uses that have minimal adverse environmental impact on the community. This provision allows the Port to take advantage of interim lease revenue opportunities that would be precluded by the above process because of the amount of time (1-2 months or longer) necessary to carry out the review, notice and potential community meeting steps described above. Temporary construction lay-down or truck trailer storage to support nearby construction job sites off Port property are typically the types of uses that fall within this category.

The Port utilizes a standard lease contract developed with the City Attorney, which contains provisions placing specific requirements on the tenant to avoid negative land use and environmental effects on surrounding neighbors and businesses. Specific sections in the lease are:

Use Clause/Premises Description:
The use clause section in the lease is very specific and defines in greater detail the uses of the premises allowed under the lease, and any provisions for sub-leasing, as applicable. It also defines any uses and/or activities that are specifically prohibited under the lease. The premises are clearly defined. In some instances, the tenant may be required to provide fencing around the premises, where appropriate.

Hazardous Materials:
To the extent that any hazardous materials will be handled on the premises, Port staff analyzes appropriate practices and monitoring for such materials. Strong lease language is included in the lease reflecting proper procedures and handling of such materials. If the prospective tenant plans to store materials at the premises, which may create a liability to the Port if not removed upon expiration of the lease, the Port requires the tenant to provide financial assurance for removal of materials and/or other work that may be required to address adverse impacts to the premises. Financial assurance mechanisms may include a removal bond, deposit, letter of credit, insurance, or other mechanism approved by the Port prior to execution of the lease.

Regulatory Requirements:
All tenants are required to be in compliance with all regulatory requirements i.e., permits, licenses, monitoring and reporting requirements. Tenants are required to maintain the premises in a manner that reflects a clean and orderly appearance. Tenants are required to address security issues and provide for adequate security of the premises.

These standard provisions will be included in any new leases in the Southern Waterfront. Tenant compliance with these terms and conditions will be closely monitored and aggressively enforced.

Pursuant to Port staff inspections or notice from neighboring community, if a tenant or a subtenant is in violation of any requirements of the lease, Port staff shall determine, based upon investigative findings, the extent or validity of any violation under the tenant's lease with the Port. The Port will carry out lease enforcement to the best of its abilities with the resources available. To assist in this matter, Port's Regulatory staff and the Environmental Health and Safety officer will train other staff who also regularly visit the site to monitor environmental compliance.

The Port will respond to community concerns of any specific violations that have been identified and what corrective action is being taken. In addition, the community will be given the names and contact numbers of the real estate property managers responsible for overseeing tenant affairs; these should be the first line of communication if a neighbor suspects a tenant violation.

When leases are terminated, the Port will take active steps to ensure that all requirements for cleanup of the Port's premises required by the lease, are done in a timely fashion and according to any permits or regulations governing that tenant's use of Port land.

RECOMMENDATION

Port staff recommends Port Commission approval of the Southern Waterfront Interim Use Condition Notification Guidelines.

Prepared by: Ken Winters
Director of Real Estate

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-74

WHEREAS, Charter Section 3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and

WHEREAS, In working with its Pier 70 and Southern Waterfront Advisory Committees over the past five years, the Port has gained a greater understanding of the inter-relationships between land uses on Port property and the surrounding community; and

WHEREAS, While substantial areas of Port property at Pier 70 and Pier 90-94 backlands are targeted for eventual redevelopment, interim leasing within these and adjacent Port lands is necessary to generate revenue to support maritime industries, public access, Port maintenance, historic preservation and waterfront revitalization; and

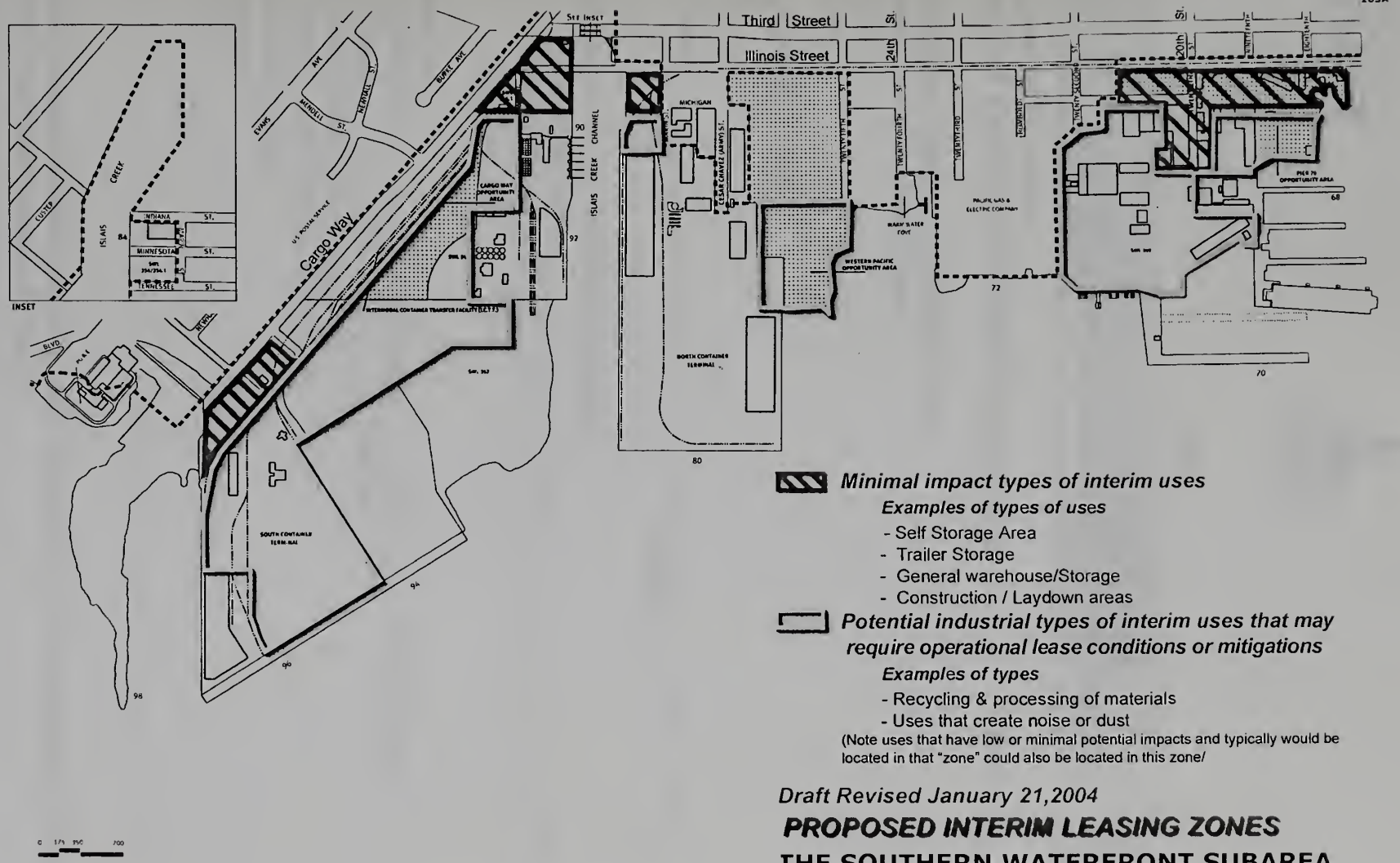
WHEREAS, In order to create an environment where Port leasing activities are compatible with the surrounding community the Port has developed these guidelines for interim use condition notification of Port property; now, therefore, be it

RESOLVED, That the San Francisco Port Commission hereby approves the Southern Waterfront Interim Use Condition Notification Guidelines, which terms and conditions are set forth substantially and in preliminary form in the Memorandum of Agenda Item 6B for the August 31, 2004 Port Commission Meeting.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 31, 2004.

_____
Secretary

Attachment A



Minimal impact types of interim uses

Examples of types of uses

- Self Storage Area
- Trailer Storage
- General warehouse/Storage
- Construction / Laydown areas

Potential industrial types of interim uses that may require operational lease conditions or mitigations

Examples of types

- Recycling & processing of materials
- Uses that create noise or dust

(Note uses that have low or minimal potential impacts and typically would be located in that "zone" could also be located in this zone/

Draft Revised January 21,2004

PROPOSED INTERIM LEASING ZONES

THE SOUTHERN WATERFRONT SUBAREA

ATTACHMENT B

DRAFT

PORT OF SAN FRANCISCO

7/8/04

LEASING APPLICATION AND PRE-LEASING SCREENING WORKSHEET

Please print legibly or type.

I. Proposed Tenant Legal Name /Business Type

Date:_____

A. Legal Status/Address of Proposed Tenant

Full Legal Name of Proposed Tenant:
Address:
Telephone:
Fax:
Existing Business Name:
Address:

Contact Person: _____
Name Telephone

Fictitious Business Name Statement If applicable:
Operating Name: _____
When/Where Filed? _____

Not applicable____

B. Tenant is a:

_____Corporation _____ Mutual Benefit _____ Sub _____ Not-for-Profit
_____Partnership: _____ General _____ Limited
_____Limited Liability Company (LLC)
_____Limited Liability Partnership (LLP)
_____Sole Proprietor(s)
_____Franchise
_____Other _____
(explain)
_____

C. Has this proposed tenant ever had a lease with the Port? When/where/and was the tenancy terminated in good standing?

II. Description of Proposed Term, Use, Area, Location, Activities and Required Licenses or Permits

A. Proposed Uses (including ancillary, support uses). Are they water-dependent or Bay-related: *Describe the day to day operations and activities that will occur, as applicable describe activities both indoors and outdoors. Provide as much detail as possible.*

B. Requested amount of space (break down by indoor/outdoor s.f.):

C. Location (be specific, i.e. pier, building #, floor or outdoor area, including nearest cross street). Include site map if available:

D. Possible term sought (months/years):

E. How many employees will be on site in the course of normal operations?

F. Will site preparation or on-going operations involve any of the following? (Please provide explanation for any of the items below which will apply to your project and list any permits that will be required):

_____Excavation (quantity in cubic yard_____)
_____Fill (Indicate if any pier repairs or new construction in or over the Bay is proposed)
_____Utility installation or modification, including systems to handle sewage and storm water runoff
_____Demolition
_____Work on shoreline or over water
_____Soil borings or groundwater wells
_____Vehicle Maintenance (including washing/oil change)
_____Dredging
_____Industrial Manufacturing, Production or Processing

G. Will proposed use require interior or exterior alterations, improvements, repairs or demolition planned or required in the premises (provide estimated square footage of interior and exterior areas to be constructed or renovated; attach additional sheets if necessary)?

H. Does the use affect a building that is defined as a historic resource?

I. If improvements are proposed including the construction or placement of new structures would they block views to the Bay or of significant historic structures? If so please describe:

J. Will tenant bring soil or construction materials to the premises either for site preparation or as part of ongoing operations? If for ongoing operations, what are the type and volumes of material to be transported in and out of the facility, and in what time intervals?

K. Please indicate whether the proposed operations require any of the following regulatory permits or approvals, in addition to a Port building permit?

_____City of San Francisco Health Department
_____Water Quality for groundwater wells/soil borings
_____HazMat for use and/or storage of hazardous materials or waste
_____HazWaste for soil excavation/management (Maher)
_____Solid waste management
_____City of San Francisco Police Department
_____Entertainment /Amplified Sound
_____SF Bay Conservation Development Commission
_____State of California Solid Waste Board
_____Alcohol Beverage Control
_____Bay Area Air Quality Management District
_____Regional Water Quality Control Board (construction in or over water, storm water runoff from construction activities or on-going industrial operations)
_____Army Corps of Engineers (construction in water or shoreline)
_____Planning Commission Master Plan Referral
_____Conditional Use Permit
_____CEQA Environmental Review
_____Other, Please list _____
_____

L. Will tenant use or store any hazardous material, or generate any hazardous waste (e.g. used oil, solvent, cleaning solutions) during site preparation of regular operations? If so, identify all such substances and operations and what regulatory approvals or permits tenant has or must acquire to operate, in addition to a Port building permit. Will any other environmental review be required? If so, please describe.

M. Please list any permits or authorizations from environmental regulatory agencies currently or formerly held by tenant, at another Port property of any other location.

N. Has this proposed tenant ever been cited for a violation of environmental or health and safety laws, regulations, or permit requirements, at another Port property or any other location? If so, please describe?

O. List All Materials to Be Stored on Premises (attach additional sheets if Necessary)

P. Will the proposed use involve heavy truck traffic to/from the site on a regular basis? If so, please describe.

Q. What are the proposed days and hours of operation?

R. Will the operations create significant levels of noise that could be heard from off of Port property? If so please indicate during what times and provide an estimate of the level in decibels at the closest non-Port use.

PLEASE NOTE: (1) NO ALTERATIONS OR IMPROVEMENTS MAY BE INSTALLED IN THE PREMISES WITHOUT FIRST OBTAINING A BUILDING PERMIT FROM THE PORT ENGINEERING DEPARTMENT, and (2) NO CHANGE IN USE SHALL BE PERMITTED IN THE PREMISES WITHOUT AN APPROVED LEASE AMENDMENT.

The undersigned Applicant hereby agrees to comply with all conditions and/or stipulations noted on this Application or in any statement attached hereto, and said conditions and stipulations are hereby made a part of this Application.

_____ **Dated:** _____

Signature of Applicant

for: _____

Print Name of Company

III. LEGAL STATUS

A. IF TENANT IS A CORPORATION OR LLC, PLEASE COMPLETE THE FOLLOWING:

State of Incorporation: _____
Date of Incorporation: _____

If corporation is listed on an exchange, which one?

_____

Local Agent for Service of Process:
Name: _____
Address: _____
Phone Number: _____

List all officers and directors of the corporation or members of the LLC:

Name: _____
Title: _____

Name: _____
Title: _____

Name: _____
Title: _____

If a corporation, attach a copy of the statement by domestic stock corporation.

B. IF PROPOSED TENANT IS A GENERAL OR LIMITED PARTNERSHIP, PLEASE LIST ALL GENERAL PARTNERS:

Name: _____
Address: _____

_____
Date of Birth: _____
Social Security Number: _____

Name: _____
Address:_____
Date of Birth: _____
Social Security _____

If a LLP or LLC, attach a copy of the articles of organization.

C. WHO WILL SIGN THE LEASE?

Print Name _____
Print Title _____

(If tenant is a corporation, two signatories are required. Both must be corporate officers or persons who are authorized by the corporation to enter into contracts).

Has the proposed tenant ever had a lease or license with the Port of San Francisco? (Yes)____ (No)____

D. For Property Manager Use Only:

Name & Date of Lease/License
Lease/License No. _____
Status of Account: _____

IV. FINANCIAL INFORMATION ABOUT PROPOSED TENANT

A. FINANCIALS/TAX RETURNS

The proposed tenant shall provide financial statements or income tax returns for the past three (3) years.

B. BANK REFERENCE(S)

Please complete this information on page 12.

C. ASSETS OF PROPOSED TENANT

(1) LIST ALL REAL PROPERTY IN WHICH YOU HAVE AN INTEREST:

_____ Value: $ _____
Describe

_____ Value: $_____
Describe

(2) LIST ALL AUTOMOBILES IN WHICH YOU HAVE AN INTEREST:

_____ Value: $ _____
Year/Make/Model/License No.

_____ Value: $ _____
Year/Make/Model/License No.

(3) LIST ALL OTHER ASSETS IN WHICH YOU HAVE AN INTEREST:

_____ Value: $ _____
Describe

_____ Value: $ _____
Describe

(4) LIST ANY INTEREST THE PROPOSED TENANT HAS IN OTHER BUSINESSES, AND GIVE ADDRESSES AND PHONE NUMBERS THEREOF:

_____

_____

_____

D. LIABILITIES OF PROPOSED TENANT

LIST ALL LIABILITIES OF THE PROPOSED TENANT (loans, mortgages, credit card accounts, etc.):

_____ Amount: $_____
Describe

_____ Amount: $_____
Describe

_____ Amount: $_____
Describe

_____ Amount: $_____
Describe

E. BANKRUPTCY

Has the proposed tenant ever filed for bankruptcy protection?

(YES) _____ (NO) _____

When _____

Where?_____

If Yes, Explain Details: (e.g. Chapter 7, 11, 13) _____

_____

Current Status of Bankruptcy:

Explain: _____

F. PREVIOUS BUSINESS LANDLORD:

Name of Prior Landlord: _____

Address: _____

Phone Number: _____

Reason for Leaving: _____

How Long: _____

THIS APPLICATION MUST BE SIGNED, DATED AND ACCOMPANIED BY CASH OR CASHIER'S CHECK FOR THE SECURITY DEPOSIT IN AN AMOUNT EQUAL TO TWO (2) MONTHS' RENT. THE SECURITY DEPOSIT IS FULLY REFUNDABLE IF THE PARTIES DO NOT ENTER INTO A LEASE. THE APPLICANT HEREIN UNDERSTANDS AND AGREES THAT PAYMENT OF A SECURITY DEPOSIT SHALL IN NO WAY BE CONSTRUED AS AN AGREEMENT, OBLIGATION OR ACCEPTANCE TO LEASE BY THE SAN FRANCISCO PORT COMMISSION.

THE UNDERSIGNED APPLICANT, BEING THE PROPOSED TENANT HEREIN, HEREBY DECLARES UNDER PENALTY OF PERJURY THAT THE INFORMATION SET FORTH IN THIS APPLICATION FOR LEASE IS TRUE AND CORRECT.

IF INDIVIDUAL(s):

_____ Dated: _____
(Signature)

Print Name _____

_____ Dated: _____
(Signature)

Print Name _____

IF CORPORATION, PARTNERSHIP, LLC OR LLP,

_____
Print Name of Entity

By: _____ Dated: _____
(Signature)

Name: _____
Title: _____

By: _____ Dated: _____
(Signature)

Name: _____
Title: _____

DID YOU REMEMBER TO INCLUDE:
Articles Of Organization?
Statement of Domestic Stock Corporation?
Financial Statements of Company (three years)

OR

Tax Returns (three years)?
Security Deposit?

YOUR APPLICATION FOR LEASE WILL NOT BE CONSIDERED UNTILALL OF THE ABOVE HAVE BEEN SUBMITTED TO THE PORT.

PERSONAL DATA QUESTIONNAIRE FOR INDIVIDUALS AND MEMBERS OF PARTNERSHIPS

Each person who is required to a Personal Data Questionnaire must submit a separate form.

NAME _____

NAME OF PROPOSED TENANT IF DIFFERENT FROM ABOVE: _____

_____

OTHER NAMES USED: _____

Address: _____

_____

Phone Number: _____

DATE OF BIRTH:_____ SS#: _____

DRIVER'S LICENSE: NUMBER: _____ STATE: _____ EXPIRES: _____

HOME ADDRESS:

_____

_____

City State Zip

Telephone: _____

EMPLOYER

Address: _____

Phone Number: _____

How Long: _____

NAME OF BUSINESS: _____

IF LESS THAN FIVE YEARS, PREVIOUS EMPLOYER _____

_____

Address _____

_____

City State Zip

Telephone: _____ HOW LONG? _____

Name of Spouse/Partner: _____

Address, if different from above: _____

_____

Phone Number: _____

Spouse/Partners Employer: _____
Address: _____
Phone Number: _____

BANK REFERENCE(S)
Please complete this information on page 12. (Be sure pg. 12 contains questions regarding bank references)

LIST ALL REAL PROPERTY IN WHICH YOU HAVE AN INTEREST:

_____ Value: $_____
Describe

_____ Value: $_____
Describe

LIST ALL AUTOMOBILES IN WHICH YOU HAVE AN INTEREST:

_____ Value: $_____
Year/Make/Model/License No.

_____ Value: $_____
Year/Make/Model/License No.

LIST ALL OTHER ASSETS IN WHICH YOU HAVE AN INTEREST:

_____ Value: $_____
Describe

_____ Value: $_____
Describe

LIST ANY BUSINESSE IN WHICH YOU HAVE AN INTEREST:

Name of Business: _____
Address: _____
Phone Number: _____
Nature of Interest: _____

Name of Business: _____
Address: _____
Phone Number: _____
Nature of Interest: _____

LIST ALL OUTSTANDING DEBTS (Loans, Mortgages, credit card accounts, etc.):

_____ Amount: $_____
Describe

_____ Amount: $_____
Describe

_____ Amount: $_____
Describe

_____ Amount: $_____
Describe

HAVE YOU EVER FILED BANKRUPTCY (YES) _____ (NO) _____

When? _____
Where? _____

If Yes, Explain Details: (e.g. Chapter 7, 11, 13)

_____
_____
_____

Current Status of Bankruptcy:

Explain: _____
_____
_____

I declare under penalty of perjury that the information contained in this Personal Data Questionnaire is true and correct.

_____ Dated: _____
(Signature)

Print Name _____

PERSONAL DATA QUESTIONNAIRE FOR LEASE GUARANTORS

Name of Guarantor: _____
Address: _____
_____
Phone Number: _____
Relationship to proposed tenant: _____

IF INDIVIDUAL(s):

_____ Dated: _____
(Signature)
Print Name _____

_____ Dated: _____
(Signature)
Print Name_____

AUTHORIZATION FOR RELEASE OF CREDIT INFORMATION

The undersigned hereby authorizes the companies and/or individuals listed below and on the reverse side to release to the SAN FRANCISCO PORT COMMISSION (Pier 1, Accounting Department, San Francisco, CA 94111) all pertinent and confidential information concerning the credit standing or account status of:

_____

Name of Proposed Tenant

_____ Date: _____

Authorized Signature

BANK REFERENCES

(1) NAME OF BANK OR S&L: _____

Branch: _____

Address: _____

_____

City State Zip

Telephone: _____ Contact Name: _____

Account #_____

Type of Account _____

(2) NAME OF BANK OR S&L:

Branch: _____

Address: _____

_____

City State Zip

Telephone: _____ Contact Name: _____

Account #_____

Type of Account _____

(3) LAST BUSINESS LANDLORD:

Name _____

Address: _____

_____

City State Zip

Telephone: _____

ADDRESS OF PREVIOUS TENANCY: _____

_____

City State Zip

LENGTH OF TIME: FROM _____ TO _____

MONTHLY AMOUNT: $_____

(4) NAME OF COMPANY: _____

Address:_____

_____

City State Zip

Telephone: _____

(5) NAME OF COMPANY: _____

Address:_____

_____

City State Zip

Telephone: _____

(6) NAME OF COMPANY: _____

Address:_____

_____

City State Zip

Telephone: _____

Attachment C
Southern Waterfront Prospective Tenant Worksheet

Location	Type	Use	Sq. Ft.	Prospective Tenant
Pier 70 Bldg. 14	Shed	Recycling operations, material storage	15,806	Consolidated Environmental
Pier 70	**Shed/Land**	**Storage**	**TBD**	**Vacant**
Pier 70 Bldg. 117	Shed/Land	Storage	31,440	Delancey Street
Pier 70 Noonan	Studio	Studio	TBD	Judith Anderson & Cory
Pier 70 Noonan	Studio	Studio	TBD	Cory Allen
Pier 70 Noonan	**Studio**	**Studio**	**3,500**	**Vacant**
Pier 70 Noonan	**Studio**	**Shed**	**901**	**Vacant**

STATUS REPORT
PIER 70 INTERIM LEASES

July 12, 2004

1. AWS

AWS, located at the corner of 20th and Illinois at Pier 70 has a lease through December, 2004. Real Estate has been working with AWS and reports that after July 20 the company will move their recycling operations to their operation near Tunnel Road in Brisbane. When they cease this operation, the problems of dust control resulting from the recycling should diminish substantially.

They will no longer bring materials to their Pier 70 location, but, instead, will use this location solely to store materials, keep approximately 10 empty debris boxes and park 5 trucks (3 are operating trucks and 2 are backups). They will also undertake minor truck preventive maintenance at the site. These trucks are expected to run about 15 trips/day in total. Normal operating hours for them are 5.5 days/week (partial day is Saturday), from about 6:00 am to 4:00 p.m.

AWS is seeking to find a closed facility for these operations and is considering Building 14.

2. Port Maintenance Division

The Port has begun using Building 115 as a location for temporary storage of pilings. This location, at the rear of the 113-114 complex, is for an indefinite period of time. Their presence is expected to increase security at the back of these historic buildings. There are about 2 truck trips/day expected.

3. DPT Review of 22nd Street

DPT's Engineering Department has now confirmed that a proposed alignment of the 22nd Street alternative street will support two-way truck traffic, with minimum operational difficulties. Today the Board of Supervisors' agenda includes formal approval of the emergency interim agreement with Auto-Return, which lease would be in effect for about one year. During this period negotiations concerning the eventual routing of the street will be concluded.

PORT OF SAN FRANCISCO

MEMORANDUM

August 25, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon
Hon. Sue Bierman
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Approval of Work Product Provisions (Exhibit 1 to the Fifth Amendment to Exclusive Right to Negotiate Agreement) with Stanford Hospitality, Inc. for Embarcadero Hotel Project at Broadway on Seawall Lots 323, 324 and 322-1

DIRECTOR'S RECOMMENDATION: APPROVE WORK PRODUCT PROVISIONS WITH STANFORD HOSPITALITY, INC.

BACKGROUND

Stanford Hospitality, Inc. ("Stanford") is the developer that has been selected by the Port Commission to develop the hotel project, consisting of a hotel, parking garage and waterfront garden, on Port seawall lots located on the Embarcadero at Broadway ("Hotel Project"). At the Port Commission meeting on July 27, 2004, pursuant to Resolution 04-68, the Port Commission authorized the Executive Director to extend Stanford's Exclusive Right to Negotiate Agreement ("ERN") through November 30, 2005, subject to resolution of the Work Product provisions of the ERN to the satisfaction of the Port Commission following a hearing at the August 31, 2004 public meeting. The Commission reserved the right to review the proposed language of the Work Product provisions and to determine, in its sole discretion, whether to approve the Work Product provisions or to terminate the ERN without opportunity on the part of the developer to cure.

On July 30, 2004 the Port and Stanford executed the Fifth Amendment to the ERN, which provides, in pertinent part, that Stanford and Port staff are to negotiate in good faith and attempt to reach agreement on specific provisions pertaining to the release by Stanford of studies, reports, applications, permits, plans, drawings and other work product regarding the Hotel Project (collectively, the "Project Materials") in the event of termination or expiration of the ERN without concurrent execution of a Lease Disposition and Development Agreement ("LDDA"). The Work Product provisions are to be incorporated into the Fifth Amendment by way of an Exhibit 1, upon approval of such provisions by the Port Commission, in its sole and absolute discretion at its

THIS PRINT COVERS CALENDAR ITEM NO. 7A

August 31, 2004 public meeting. If the Port Commission fails to approve such provisions on August 31, 2004, the ERN shall be immediately terminable by Port without further notice or cure. The purpose of today's hearing is to consider the Work Product provisions that have been negotiated between Port staff and Stanford, and to direct staff accordingly.

WORK PRODUCT PROVISIONS

The purpose of the Work Product provisions is to provide a mechanism for delivering the Project Materials to the Port for the Port's use or for use by another developer in the event that Stanford does not advance the development of the Hotel Project as provided in the current ERN extension. The provisions apply if Stanford defaults under the ERN and the ERN is terminated, or Stanford voluntarily withdraws or abandons the Hotel Project, or if the ERN expires and Stanford has failed to obtain certification of the Environmental Impact Report and approval and execution of the LDDA.

Port Staff and Stanford have negotiated in good faith and have reached agreement on the language for the Work Product provisions, whereby the Project Materials will be released to the Port or to its nominee (i.e., a new developer). These provisions are contained in Exhibit 1, attached to this report. Under the provisions, the Port or its nominee would receive, at no cost, various studies, reports, applications, permits, and other Project Materials that Stanford's consultants (except legal advisors) have generated for the Hotel Project. These Project Materials could be used by the Port for any purpose, including future development by a new developer of the same or similar hotel project or a different project.

In addition, if a new developer chooses to pursue a hotel project at this site using Stanford's architectural drawings, Stanford must either assign or waive and release its rights to the architectural drawings, upon written notice from the Port. Stanford would be entitled to a Fee for the architectural drawings if the ERN expired without the concurrent execution of an LDDA by the parties. The Fee equals the documented fees and expenses charged by Stanford's architect, Hornberger + Worstell, Inc. ("HWI"), and paid by Stanford for the architectural drawings and plans. HWI is the architectural firm retained by Stanford in 2002 that created the current architectural plans for the proposed Hotel Project. The fees and expenses would have to be documented by written invoices from the architect. Stanford indicates that to date it has paid $978,000 to this architectural firm. The Fee would include the "document release fee" that Stanford is required to pay to the architect in order to obtain the right to assign the drawings. Stanford indicates that the document release fee payable to HWI is $100,000. However, if the new developer were able to negotiate a new agreement directly with HWI, then the document release fee may not be required.

While the Port would be jointly and severally responsible with any new developer for payment of the Fee, the Port would require any new developer to pay the Fee to Stanford. The mechanism for accomplishing this would be set forth in any future RFP or assignment agreement and in any agreement with any new developer.

STAFF RECOMMENDATION

Port staff recommends that the Port Commission authorize and direct the Executive Director to execute Exhibit 1 to the Fifth Amendment to the ERN.

Prepared by: Jennifer Sobol, Project Manager
Planning & Development

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-75

WHEREAS, Charter Section B3.581grants the Port Commission the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of San Francisco; and

WHEREAS, Under Charter Section B3.581 (g), leases granted or made by the Port Commission shall be administered exclusively by the operating forces of the Port Commission; and

WHEREAS, The Port owns certain properties known as Seawall Lots 323, 324 and 322-1; and

WHEREAS, In November 1998, the Port issued a Request for Qualifications and Proposals for the lease, development and operation of a full-service, first-class hotel on said Seawall Lots; and

WHEREAS, Stanford Hospitality, Inc. ("Stanford") submitted a response to the RFQ/P on May 18, 1999 which complied with the submittal requirements stated in the RFQ/P; and

WHEREAS, Based on staff's and its own review, the Port Commission authorized the Executive Director to enter into exclusive negotiations with Stanford on August 10, 1999 (Resolution No. 99-62); and

WHEREAS, The Port and Stanford executed an Exclusive Right to Negotiate agreement ("ERN") on November 8, 1999 for a period of six months, with two six-month extension options; and

WHEREAS, Stanford exercised both extension option periods extending the ERN to May 7, 2001; and

WHEREAS, The Port Commission subsequently authorized further extensions of the ERN, and by Fourth Amendment thereto, authorized extension of the ERN to July 31, 2004; and

WHEREAS, On July 27, 2004 (Resolution No. 04-68), the Port Commission authorized the Executive Director to extend the ERN, by Fifth Amendment thereto, to November 30, 2005, provided, however, that the Commission reserved the right to review the proposed resolution of the Work Product language at the Commission meeting on August 31, 2004, and determine, in its sole discretion, whether to terminate the ERN without opportunity on the part of Stanford to cure; and

WHEREAS, On July 30, 2004 the Executive Director and Stanford executed the Fifth Amendment to the ERN, which provided as a condition that Staff and Stanford negotiate in good faith and attempt to reach agreement on specific provisions whereby, in the event of termination or expiration of the ERN without concurrent execution of a Lease Disposition and Development Agreement (LDDA), Stanford agrees to assign and/or waive its rights to studies, applications, reports, permits, plans, drawings and Work Product regarding the hotel project; and

WHEREAS, The above provisions are to be incorporated into the Fifth Amendment by an Exhibit 1, upon approval of such provisions by the Port Commission, in its sole and absolute discretion, at its August 31, 2004 public meeting; and

WHEREAS, If the Port Commission fails to approve the provisions of such Exhibit 1 on August 31, 2004, the ERN shall be immediately terminable by Port without further notice or cure; and

WHEREAS, Staff and Stanford have negotiated in good faith and have reached agreement on the Work Product language, as contained in Exhibit 1 to the Fifth Amendment of the ERN, attached to the Staff Report for this item, Item 7A; and

RESOLVED, That, based on Staff's recommendation and its own review, the Port Commission hereby authorizes the Executive Director of the Port to execute Exhibit 1 to the Fifth Amendment of the ERN in the form attached to the Staff Report for this item, Item 7A; and, be it further

RESOLVED, That the Port Commission makes no representation and gives no assurance that the hotel project will be ultimately accepted or approved by the Port Commission; and, be it further

RESOLVED, That the Port Commission will not enter into a final lease that would allow for the development of the hotel project until there has been complete compliance with the California Environmental Quality Act (CEQA).

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 31, 2004.

_____
Secretary

EXHIBIT 1

This Exhibit 1 is attached to and fully incorporated by reference herein to that certain Fifth Amendment to Exclusive Right to Negotiate agreement (the "**Fifth Amendment**") entered into by and between the City and County of San Francisco, acting by and through the Port Commission ("**Port**") and Stanford Hospitality, Inc., a California corporation ("**Developer**"). All capitalized terms not defined herein shall have the meaning given to them in the Fifth Amendment.

ASSIGNMENT OF PROJECT MATERIALS

Developer's obligations with respect to all studies, applications, reports, permits, plans, drawings and similar work product prepared for Developer regarding the Project by Developer's architects, engineers, consultants, and other professional advisors (excluding legal advisors) (collectively, "**Project Materials**") shall be as follows:

I. Assignment of Project Materials

A. In the event of (1) Developer's voluntary withdrawal from, (2) Developer's abandonment of, (3) any early termination of the ERN by Port as a result of a material default thereunder by Developer, or (4) expiration of the ERN occurring without the concurrent execution of an LDDA by the parties, Developer shall, within thirty (30) days of written notice from Port and (except as set out in Section II below) without cost to Port or its Nominee (as defined in Section III below):

(a) satisfy all outstanding fees relating to the Project Materials and provide written evidence of such satisfaction to Port;

(b) assign to Port or its Nominee, by way of legally binding instruments, all of Developer's rights and interest in the Project Materials to the extent possible; provided, that, any "assignment fee" charged by the creators of the respective Project Materials for any such assignment shall not be the responsibility of Developer to satisfy; and

(c) deliver or have delivered from the appropriate parties all Project Materials to Port or its Nominee.

B. Further, in such event, Developer shall be deemed to waive and release Port from any claims of proprietary rights or interest by Developer in the Project Materials and agree that Port may utilize any or all of the Project Materials for any purpose whatsoever, including pursuit of the same or similar Project with another developer.

II. Reimbursement of Developer's Architectural Fees. Notwithstanding the foregoing:

A. Developer shall not either (1) waive and release Port from any of Developer's claims of proprietary rights or interest or (2) assign Developer's rights to Port or its Nominee in and to the Hornberger + Worstell, Inc. ("**HWI**") plans and drawings unless and until the Port gives not less than seven (7) days notice in writing to Developer to do so.

B. If Port gives notice and said notice requires Developer to assign the HWI plans and drawings as set forth in Section II(A)(2) above, then upon receipt of such notice by Developer, the parties shall promptly do as set forth below.

Developer shall:

(i) Execute the required Documents Transfer Agreement ("**DTA**") in the form attached to that certain agreement between Developer and HWI in favor of HWI;
(ii) Pay the required Document Release Fee to HWI;
(iii) Comply with the provisions of Section I(A)(a), (b) and (c) above.

Port or its Nominee shall:

(i) Execute in favor of Developer a document transfer agreement in substantially similar terms to the DTA, including (but without affecting the generality of the foregoing) a counter indemnity for the Indemnity given by Developer to HWI in the DTA.

C. If Port gives notice and said notice requires Developer to waive and release the Port from Developer's claims as set forth in Section II(A)(1) above, Developer shall promptly, upon receipt of Port's notice, do the following:

(i) Execute in favor of and deliver to Port a waiver and release agreement in a form reasonably approved by Port; and
(ii) Comply with the provisions of Section I(A)(a) and (c) above.

D. In the event the ERN expired without a concurrent execution of an LDDA by the parties as contemplated by Section I(A)(4) above, then, simultaneously with Developer's compliance with the above provisions of Section II(B) or (C), as the case may be, Port or its Nominee shall reimburse Developer for the fees and expenses paid by Developer to HWI with respect to the Project as documented by written invoices from HWI. The Port shall be jointly and severally responsible with its Nominee for payment of the reimbursable amount to Developer provided herein.

III. Definition of Nominee

As used in this Exhibit 1, the Port's "**Nominee**" shall mean (A) any developer selected by the Port for pursuit of the same or similar Project or (B) any party so designated by the Port for use for any purpose other than the same or similar Project.

IN WITNESS WHEREOF the parties hereto have executed this Exhibit 1 as of the date indicated below.

DEVELOPER

STANFORD HOSPITALITY, INC.,
A California Corporation

BY: _____
Anthony Carter
Vice President

DATE: _____

BY: _____
James E.M. Evans
Chief Financial Officer

DATE: _____

PORT

CITY & COUNTY OF SAN FRANCISCO,
A Municipal Corporation, operating by and through the
SAN FRANCISCO PORT COMMISSION
Port Commission Resolution No. 04-75

BY: _____
Monique A. Moyer
Port Executive Director

DATE: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, CITY ATTORNEY

BY: _____
Deputy City Attorney

DATE: _____

PORT OF SAN FRANCISCO

MEMORANDUM

August 25, 2004

TO: MEMBERS, PORT COMMISSION
Hon. Wilfred Hsu, President
Hon. Michael Hardeman, Vice President
Hon. Kimberly Brandon, Commissioner
Hon. Sue Bierman, Commissioner
Hon. Ann Lazarus, Commissioner

FROM: Monique Moyer
Executive Director

SUBJECT: BCDC/Port Planning Committee Recommendations for Fisherman's Wharf. Request to Accept the Planning Committee Recommendations.

DIRECTOR'S RECOMMENDATION: APPROVE RESOLUTION ACCEPTING THE COMMITTEE'S RECOMMENDATIONS AND FORWARDING THE RECOMMENDATIONS TO THE MAYOR'S OFFICE.

Background

In November 2002, the Port Commission (Port) and the San Francisco Bay Conservation and Development Commission (BCDC) agreed to undertake a joint planning process for the Fisherman's Wharf area to update the policies in their respective plans that control development in Fisherman's Wharf. The respective Commissions believed that a comprehensive approach to public open space, shoreline reconfiguration, parking, circulation and other land uses would be more effective when carried out jointly. The Fisherman's Wharf Area Plan was intended to allow small and large projects and public improvements to move forward within a comprehensive, consistent policy framework, rather than in a piecemeal fashion. This approach is to help facilitate the economic revitalization and beautification of Fisherman's Wharf so that it remains one of the top visitor attractions in the country, while becoming more inviting to local Bay Area residents.

The Commissions also believed that in order to maintain the economic vitality of the Wharf, the business needs of the Port's tenants needed to be addressed, particularly how existing pile-supported restaurants and other commercial businesses were to meet the BCDC Replacement Fill policy in order to perform maintenance and make major substructure repairs. It was understood that changes to BCDC's regulatory policies may be required.

This Print Covers Calendar Item No. 7B

This memorandum describes the public process and concepts developed, and the Committee's recommendations, which are addressed in more detail in a report, *Fisherman's Wharf Planning Committee Recommendations* (See Attachment A to this memorandum), which was released to the public in July 2004. The Recommendations report is available on the Port's website, www.sfport.com, as well as in hard copies upon request to the Port.

Planning Process

The planning process began in November 2002, with the formation of the Fisherman's Wharf Planning Committee (Committee), made up of six BCDC Commissioners – Commissioners Betsey Cutler, Richard Gordon, Anne Halsted (Committee Chair) Barbara Kaufman (BCDC Chair), Susan Leal and Aaron Peskin - and two Port Commissioners – Commissioners Sue Bierman and Kimberly Brandon. The Committee oversaw the staffs' work on the Fisherman's Wharf Area Plan and guided development of these recommendations. Between January 2003 and March 2004, the Committee, Port and BCDC staff held 16 public meetings, including workshops, a walking tour, a review of past plans and current policies for Fisherman's Wharf, and a presentation of preliminary and revised concept ideas. The public planning process has defined improvements that, if provided by the Port and the City and County of San Francisco, will bring about public open space, pedestrian and transportation improvements that benefit the City and Bay Area region, as well as the entire Fisherman's Wharf area.

Public Access & Open Space

A primary goal of the Fisherman's Wharf planning process was to provide a comprehensive program for the creation of major public open spaces, public access, and public benefits, which also enables the Port and its tenants to maintain and improve piers and waterfront facilities in an economically feasible manner. The Committee reviewed several options and made recommendations for how the Triangle Lot and the Pier 43 and 43-1/2 shoreline edge could be reconfigured to improve and expand open space, and the quality of the pedestrian experience in Fisherman's Wharf. The Committee supported the creation of a series of linked open spaces in the Triangle Lot and the Pier 43 and 43-1/2 area that include:

- Removal of a substantial amount of Pier 43-1/2 to create an open water basin and Fisherman's Wharf Shoreline Promenade;
- Additional vessel berthing along the shoreline edge;
- Development of new open space plazas in front of Pier 45 Shed A, at Taylor and Jefferson Streets including widening sidewalks on Taylor Street, and in the Octagon Building area at the west end of the Triangle Lot, while maintaining parking at a level comparable to what currently exists;
- Extension of Mason Street corridor from Jefferson Street to the Embarcadero;
- Restricting commercial uses within new public open spaces to ensure these areas are available for passive recreational use by the public; and
- Adding landscaping in the Triangle Lot (parking).

The Committee recommended continuation of the services provided within the Octagon Building and adding a visitor information center, but did not recommend if those services should remain within the existing building, or if the Octagon Building should be removed with those services relocated nearby.

Transportation and Parking
Public workshops held during 2003 revealed that transportation and circulation issues were of high concern because of the negative impacts on pedestrian and vehicle circulation, and the overall appearance of the Wharf. Participants stated problems of traffic congestion reaching the Wharf, congestion within the Wharf from vehicles accessing parking, and a desire for a bike lane through the area to connect to waterfront routes to the east and west. The Port and BCDC, working with the Department of Parking and Traffic (DPT), presented possible area-wide circulation improvements, and alternatives for how Jefferson Street could best accommodate all the desired travel modes of the area, including bicycle routes to the east and west of the study area. As a result, a set of recommendations were prepared and supported by the Committee to improve access to Wharf destinations for drivers and pedestrians, and to create an inviting and attractive pedestrian environment. Specific recommendations included:

- Improve regional and Citywide signage directing visitors to the Fisherman's Wharf area.
- Develop a sign program to divert traffic to desired parking destinations on Beach and North Point Streets.
- Develop a parking signage system to direct drivers and inform them of capacity and availability.
- Add dedicated loading zones on Jefferson Street to reduce double parking.
- Develop a sign program to inform pedestrians of major Wharf destinations.
- Adjust crosswalk locations to maximize pedestrian safety and improve traffic flow.
- Install parking meters on unmetered blocks.
- Request that the Municipal Railway improve frequency of F-Line and cablecar service.
- Improve sidewalk conditions by limiting vendors to legal limits.
- Eliminate or improve the pedestrian scramble signal at several intersections along Jefferson Street.
- Add traffic control officers at key intersections during busy times.

Many of the recommended improvements are for areas outside of Port of San Francisco and BCDC jurisdiction. Their implementation would require further coordination and action by other City agencies including but not limited to DPT, the San Francisco Planning Department, the Department of Public Works, and San Francisco Municipal Railway (MUNI).

Jefferson Street
The Committee considered many Jefferson Street reconfiguration alternatives and ultimately recommended that staff explore Alternative E, a shared bicycle route in the southern, westbound lane of Jefferson Street that: 1) maintains one-way westbound traffic on Jefferson Street; and 2) provides for eastbound bike access on Beach Street. The Committee acknowledged the importance of connecting the existing shoreline bicycle network in Fisherman's Wharf, but was concerned that Jefferson Street is already over-crowded, and that other reconfiguration proposals to incorporate bicycle access compromised safety. The Committee viewed proposals that require bicyclists to cross the MUNI railway tracks at less than a 90° angle to be unsafe.

The Committee recommended that Jefferson Street be further studied after implementation of previously described recommendations to redirect traffic to Beach and North Point Streets and improving parking information in the Wharf area. Other alternative concepts for Jefferson Street that

were not acceptable to the Committee, may warrant reconsideration by the City. The recommended alternative E and other alternatives are described in the *Committee Recommendations* report.

Conclusion and Future Study

A primary goal of the Fisherman's Wharf planning process was to provide a comprehensive program for the creation of major public open spaces, public access, and public benefits, which also enables the Port and its tenants to maintain and improve piers and waterfront facilities in an economically feasible manner. To achieve high quality public open space and pedestrian improvements, circulation and parking issues also need to be addressed in the Wharf area. The Committee recommendations lay the groundwork for creating a system of linked open spaces that complement and highlight Fisherman's Wharf unique and enduring features, and create a vision for how the shoreline could be reconfigured to create open water areas.

With this vision in place, the Port and BCDC can work further with the community and City agencies to focus on implementation and regulatory changes that also enable Port businesses to improve and repair their facilities. One of the key regulatory issues underlying this planning process is a joint Port/BCDC interest in finding a better way to meet BCDC fill removal objectives. One of those policies, the Replacement Fill policy (also known as the "50% Rule"), requires existing pile-supported restaurants and water-oriented commercial recreation businesses conducting major substructure or seismic repairs to remove fill or provide pile-supported open space in an amount equal to 50% of the business' building footprint.

The Committee's open space and public access recommendations represent the removal of a substantial amount of fill, which would likely exceed the collective fill removal obligations of existing waterfront businesses. As such, the opportunity exists to create a "fill removal bank", which provides dual benefits. By targeting removal of Pier 43-1/2, the Port can identify a venue through which its tenants can meet BCDC fill removal requirements associated with major facility repair projects, and incrementally achieve the open space improvements recommended by the Committee. The Port presented this proposal to the BCDC Commission on June 3, 2004. BCDC has expressed an open and receptive response to working further with the Port on this and other regulatory issues to facilitate the maintenance and improvement of businesses and facilities within its jurisdiction.

The planning level cost estimates for the Committee's open space and public access, and other pedestrian improvement recommendations in the vicinity of the Triangle Lot and Piers 43 and 43½ range from a total of about $9-$12 million. **At this time no source of funds is identified to implement these improvements**. Given the importance and economic value of Fisherman's Wharf for the City and Bay Area, it is in the interests of the Port, City and BCDC to work together to maintain and improve the area for the enjoyment of visitors and residents alike.

Staff Recommendation:

1) Conclude the Fisherman's Wharf Planning Committee Planning process at this time and accept the Committee's Recommendations by adopting the attached resolution.

2) Forward the Committee Recommendations to the Mayor of the City and County of San Francisco for further analysis, and consideration in future planning and funding efforts for the Wharf.

3) Use as an interim guide, until such time as an enforceable, implementable policy update to existing plans that addresses the issues addressed herein is adopted.

4) Direct staff to pursue with BCDC amendments to BCDC policies or other actions, consistent with BCDC's fill policies, that provide economically feasible options for the Port and its tenants to effectively maintain, repair and, as necessary, rebuild pile-supported facilities in Fisherman's Wharf. If BCDC plan amendments appear to be an effective method, the Port is prepared to pursue these changes with BCDC this fall.

Prepared by: Dan Hodapp, Senior Waterfront Planner
Planning & Development

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 04-76

WHEREAS, In November 2002, the Port Commission and the San Francisco Bay Conservation and Development Commission (BCDC) agreed to undertake a joint planning process for the Fisherman's Wharf area to update the policies in their respective plans that control development in Fisherman's Wharf; and

WHEREAS, The Commissions believe that a comprehensive, consistent approach to resolving issues such as pier repair, open space, parking, circulation, and other land use issues would be more effective when carried out jointly; and

WHEREAS, The Fisherman's Wharf Area Plan was intended to allow small and large projects and public improvements to move forward within a comprehensive, consistent policy framework, to help facilitate the economic revitalization and beautification of Fisherman's Wharf so that it remains one of the top visitor attractions in the country, while becoming more inviting to local Bay Area residents; and

WHEREAS, The planning process began in November 2002, with the formation of the Fisherman's Wharf Planning Committee (Committee) made up of six BCDC Commissioners and two Port Commissioners; and

WHEREAS, The Committee oversaw the staffs' work on the Fisherman's Wharf Area Plan and guided development of these recommendations, where between January 2003 and March 2004, the Committee, Port and BCDC staff held 16 public meetings, including workshops, a walking tour, a review of past plans and current policies for Fisherman's Wharf, and a presentation of preliminary and revised concept ideas; and

WHEREAS, Through the public planning process, improvements were defined that, if provided by the Port and the City and County of San Francisco, would bring about public open space, pedestrian and transportation improvements that could benefit the City and Bay Area region, as well as the entire Fisherman's Wharf area; and

WHEREAS, The Committee considered extensive public input and made recommendations that could guide the future development of the Wharf area; now, therefore, be it

RESOLVED, That this Port Commission hereby accepts the Fisherman's Wharf Planning Committee Recommendations, and directs the Executive Director to forward the Committee Recommendations to the Mayor's Office for consideration in future studies affecting the larger Fisherman's Wharf area.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 31, 2004.

_____
Secretary

Fisherman's Wharf **Planning Committee Recommendations**

Published, July 2004

This document is also available on the Port's website at:
www.sfport.com

If you have questions or would like additional information, please contact:
Port of San Francisco, Planning & Development Division
Pier 1
San Francisco, CA 94111
415.274.0400

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Introduction

In November 2002, The Bay Conservation and Development Commission (BCDC) and the San Francisco Port Commission (Port) formed a joint Fisherman's Wharf Planning Committee to develop planning recommendations for the Fisherman's Wharf area of the San Francisco waterfront. The BCDC/Port joint Planning Committee sponsored 16 public meetings to solicit public input, discuss issues and develop Fisherman's Wharf planning recommendations that address open space and public access, traffic circulation, and parking.

The recommendations included herein result from consideration of diverse viewpoints in the Fisherman's Wharf and larger San Francisco community about how to sustain the Wharf's economic health and improve the attractiveness of the area. The Committee also made recommendations that extend further south than the Port's and BCDC's collective jurisdiction limit at Jefferson Street. Consideration of these recommendations will require further analysis, public review and action by other agencies of the City and County of San Francisco that also have a stake in the future of the Wharf. This report presents and discusses the Committee's recommendations, the public process through which they evolved, and background information on the analysis and issues addressed.

Crab stands along Jefferson Street

The Committee's recommendations present options for physical improvements to Port property, although implementation strategies and funding sources are not yet identified. Funds could be a combination of various sources of Port, City and grant funds. Appendix E contains planning level cost estimates for many of the open space and public access improvements.

Aerial view of Fisherman s Wharf study area

Summary of Committee Recommendations

The public and the Planning Committee were presented with numerous open space and transportation options for the Fisherman's Wharf area during Committee sponsored public workshops. The Committee considered extensive public input and made recommendations that could guide the future development of the Wharf area. Those recommendations follow.

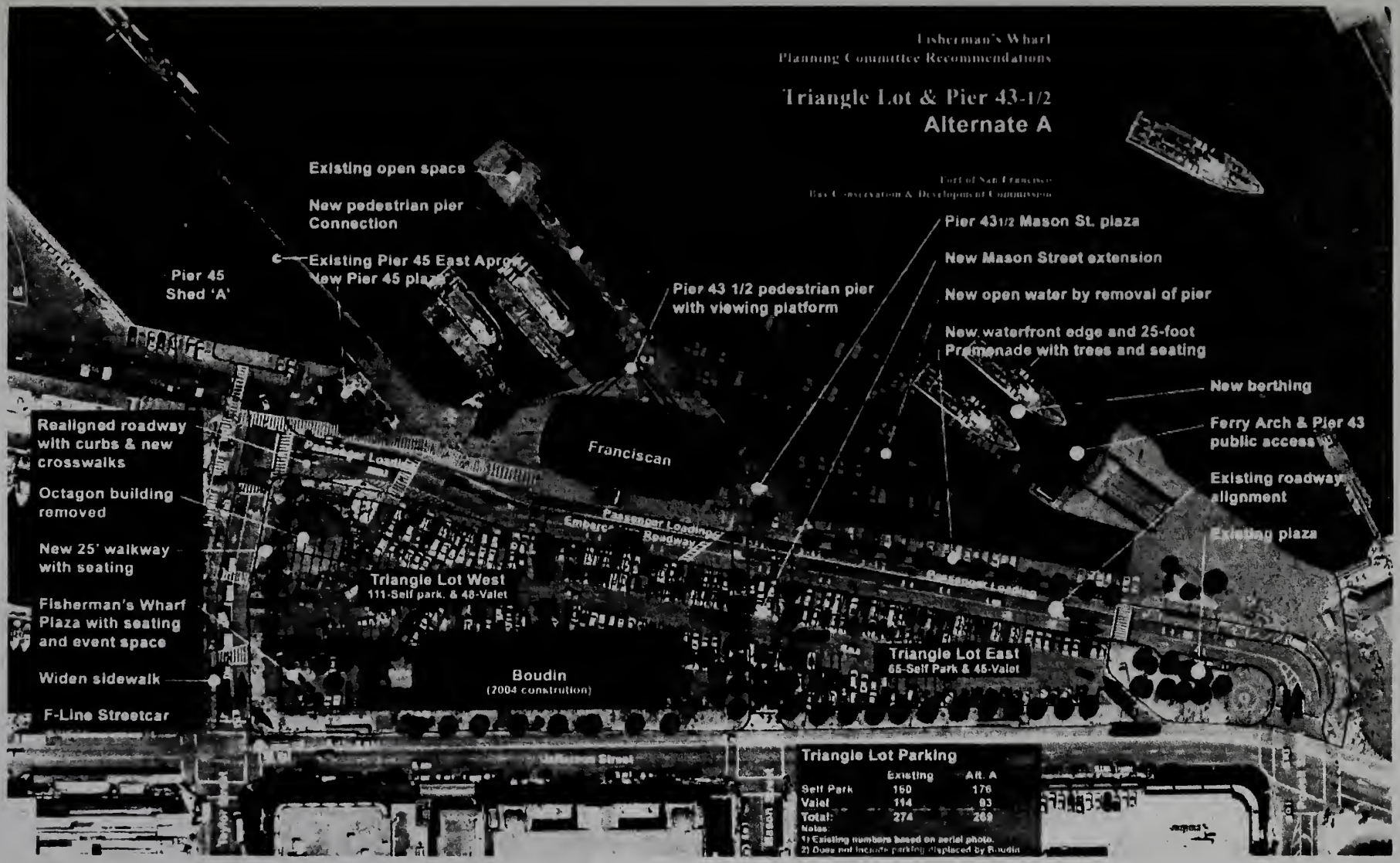
Public Access & Open Space

The Committee reviewed several options and made recommendations for how the Triangle Lot and the Pier 43 and 43-1/2 shoreline edge could be reconfigured to improve the quality of the pedestrian experience in Fisherman's Wharf. The Committee supported the creation of a series of linked open spaces in the Triangle Lot and the Pier 43 and 43-1/2 area that include:

- Removal of a substantial amount of Pier 43-1/2 to create an open water basin and Fisherman's Wharf Shoreline Promenade;
- Additional vessel berthing along the shoreline edge;
- Development of new open space plazas in front of Pier 45 Shed A, at Taylor and Jefferson Streets including widening sidewalks on Taylor Street, and in the Octagon Building area at the west end of the Triangle Lot, while maintaining parking at a level comparable to what currently exists;
- Extension of Mason Street corridor from Jefferson Street to the Embarcadero;
- Restricting commercial uses within new public open spaces to ensure these areas are available for passive recreational use by the public; and
- Adding landscaping in the Triangle Lot parking.

The Committee recommended continuation of the services provided within the Octagon Building and adding a visitor information center, but did not recommend if those services should remain within the existing building, or if the Octagon Building should be removed with those services relocated nearby.

Proposed shoreline edge between the historic Pier 43 Ferry Arch and Mason Street, also illustrating removal of a portion of Pier 43-1/2.



Committee Recommendation

Alternate A is one of three alternatives the Committee reviewed and contains many of the recommended concepts including: removal of a substantial amount of Pier 43-1/2 to create an open water basin and a public Shoreline Promenade; additional vessel berthing; new open spaces in front of Pier 45, and at Taylor and Jefferson Streets; extension of the Mason Street corridor as a roadway, although other options presented it as a pedestrian walkway; maintaining Triangle Lot parking at existing or comparable level; and adding landscaping in and around the Triangle Lot. Other alternatives presented later in this document depict other solutions that also could fulfill the recommendations of the Committee.

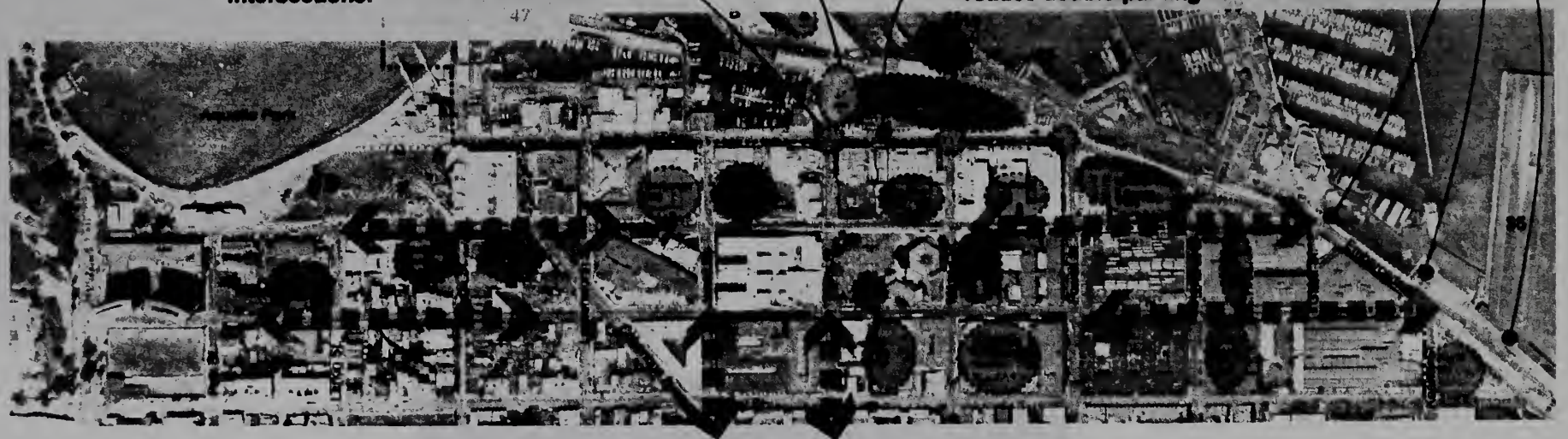
Transportation and Parking

Public workshops held during 2003 revealed that transportation and circulation issues were of high concern for almost all that participated in the Fisherman's Wharf planning process. Participants stated problems of traffic congestion reaching the Wharf, congestion within the Wharf from vehicles accessing parking, and a desire for a bike lane through the area to connect to waterfront routes to the east and west. The Port and BCDC, working with the Department of Parking and Traffic (DPT), presented possible area-wide circulation improvements, and alternatives for how Jefferson Street could best accommodate all the desired travel modes of the area, including bicycle routes to the east and west of the study area. As a result, a set of recommendations were prepared and supported by the Committee to improve access to Wharf destinations for drivers and pedestrians, and to create an inviting and attractive pedestrian environment. Specific recommendations included:

- Improve regional and City-wide signage directing visitors to the Fisherman's Wharf area.
- Develop a sign program to divert traffic to desired parking destinations on Beach and North Point Streets.
- Develop a parking signage system to direct drivers and inform them of capacity and availability.
- Add dedicated loading zones on Jefferson Street to reduce double parking.
- Develop a sign program to inform pedestrians of major Wharf destinations.
- Adjust crosswalk locations to maximize pedestrian safety and improve traffic flow.
- Install parking meters on unmetered blocks.
- Request that the Municipal Railway improve frequency of F-Line and cablecar service.
- Improve sidewalk conditions by limiting vendors to legal limits.
- Eliminate or improve the pedestrian scramble signal at several intersections along Jefferson Street.
- Add traffic control officers at key intersections during busy times.

Intersection of Taylor Street and The Embarcadero

Fisherman's Wharf Planning Committee
Summary of Transportation and Parking Recommendations


· Adjust crosswalks to maximize safety and improve traffic flow.
· Develop a sign program to direct traffic to parking destinations along Beach and North Point Streets.
· Eliminate or improve pedestrian scramble signal at Jefferson intersections.
· Add loading zones on Jefferson Street to reduce double-parking.

· Develop a parking signage system to inform drivers of capacity and availability.

· Install parking meters on unmetered blocks south of Jefferson Street.

· Improve sidewalk conditions by limiting vendors to legal limits.

· Add traffic control officers at key Jefferson Street intersections during busy times.

Legend:
Primary Vehicle Access
Publicly Available Parking

Many of the recommended improvements are for areas outside of Port of San Francisco and BCDC jurisdiction. Their implementation would require further coordination and action by other City agencies including but not limited to DPT, the San Francisco Planning Department, the Department of Public Works, and San Francisco Municipal Railway (MUNI).

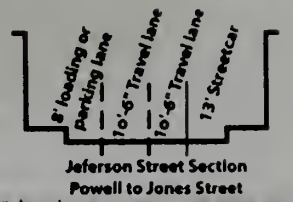
Jefferson Street

The Committee recommended that the City should evaluate the feasibility of locating bicycle access in a safe, shared lane on Jefferson Street retaining two west-bound lanes one way, and minimizing conflicts with existing MUNI F-line operations. Jefferson Street should be further studied to determine if other changes are warranted following implementation of other Committee traffic redirection and signage recommendations.

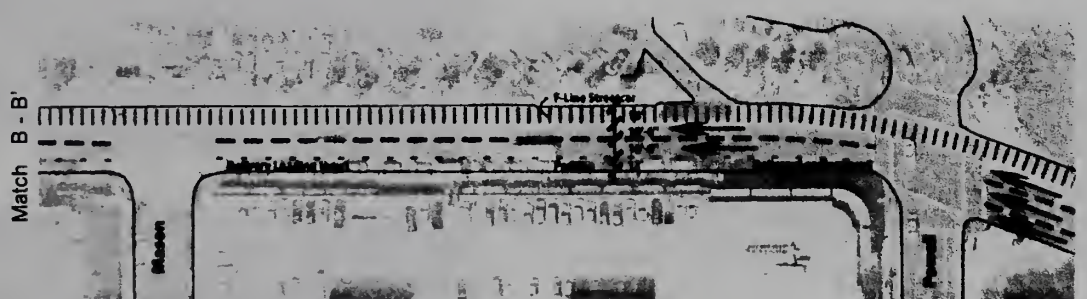
Committee Recommendation: (Existing Lane Configuration)

Two Westbound Lanes on Jefferson Street, Two-Way traffic on Beach Street

- Bicycles to share travel lanes with vehicles



Jeferson Street Section
Powell to Jones Street



ADVANTAGES

- Maintains existing traffic flow with two westbound travel lanes on Jefferson Street
- Add loading zones on Jefferson to reduce double-parking
- Widened sidewalk in tight area between Hyde and Jones Streets

CONCERNS

- Bicycles must share travel lanes as per existing conditions
- Bike access split between Beach and Jefferson Streets

Fisherman's Wharf Area Plan

Port of San Francisco
Bay Conservation & Development Commission

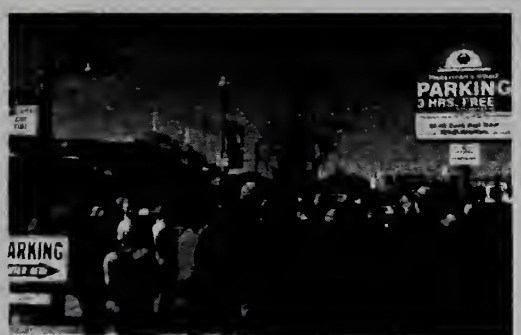
The Committee recommended further development of Alternate E, which represents the existing lane configurations of Jefferson and Beach Streets. The Committee emphasized exploration of methods to maximize safety while maintaining existing traffic flow.

Planning Process

Study Purpose

In the past five years the San Francisco waterfront has evolved into a dynamic, multi-use destination for residents, employees, and visitors from around the world. People visit Fisherman's Wharf to experience its historic and thriving fishing industry, the Bay, and enjoy the many commercial attractions. In addition to Fisherman's Wharf, waterfront visitors now enjoy the new Giant's Ballpark at China Basin, the renovated historic Ferry Building, the Embarcadero Promenade (Herb Caen Way), the historic F-Line streetcar, Fort Mason, and Crissy Field. The Port of San Francisco and BCDC want to ensure that Fisherman's Wharf continues to thrive within the context of this evolving waterfront.

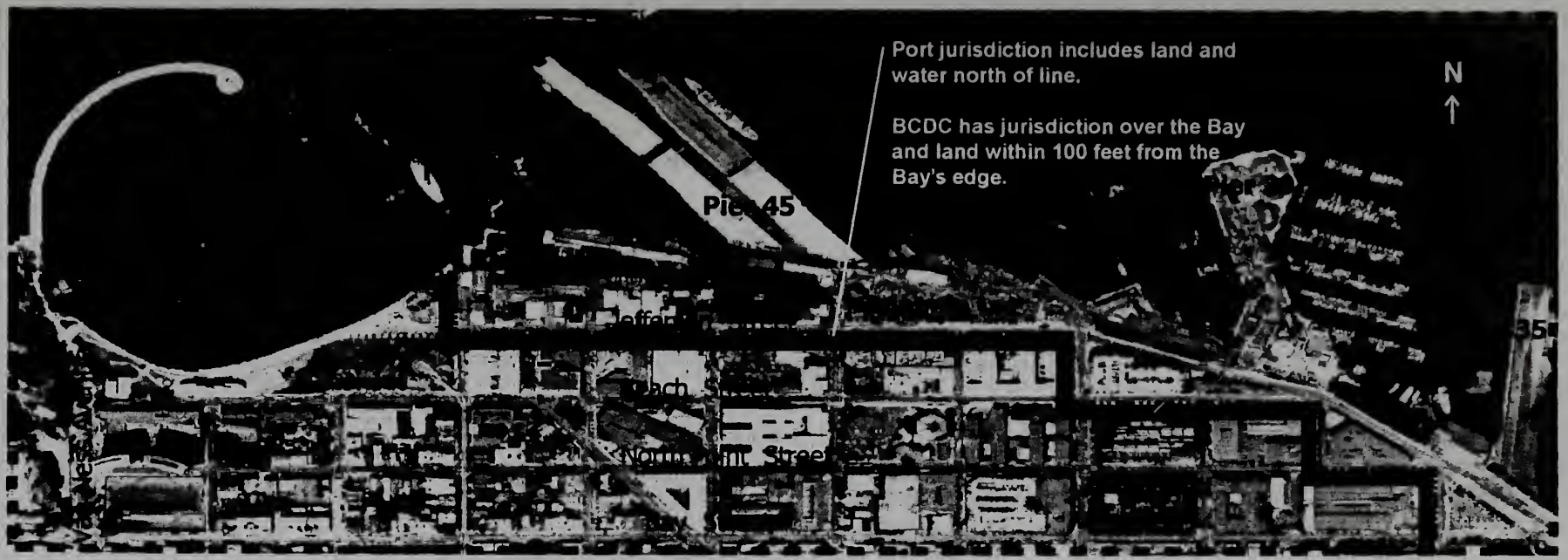
In November 2002, the Port and BCDC agreed to undertake a joint planning process for the Fisherman's Wharf area to update the policies in their respective plans that control development in Fisherman's Wharf. The Commissions believe that a comprehensive, consistent approach to resolving issues such as pier repair, open space, parking, circulation, and other land uses issues would be more effective when carried out jointly. The Fisherman's Wharf Plan Recommendations are intended to define key public open space and access improvements that the Committee believes responds to both BCDC and Port waterfront needs and objectives. This approach is seen as the most effective way to align planning policies and objectives to facilitate the economic revitalization and beautification of Fisherman's Wharf, one of the top visitor attractions in the Bay Area and the Country.



Fisherman's Wharf Planning Committee

The Fisherman's Wharf Planning Committee (Committee) is made up of six BCDC Commissioners – Commissioners Betsey Cutler, Richard Gordon, Anne Halsted (Committee Chair) Barbara Kaufman (BCDC Chair), Susan Leal, and Aaron Peskin - and two Port Commissioners – Commissioners Sue Bierman and Kimberly Brandon. The Committee oversaw the staffs' work and guided development of these recommendations for Fisherman's Wharf.

Between January 2003 and March 2004, the Committee and Port and BCDC staff held 16 public meetings including workshops, a walking tour, a review of past plans and current policies for Fisherman's Wharf, and presentations of planning concepts. This report summarizes the planning concepts through review of alternatives, the public process, and the Committee's recommendations. These public improvements could bring public open space, pedestrian, and transportation improvements that would benefit the entire Fisherman's Wharf area as well as the City and Bay Area.


Port jurisdiction includes land and water north of line.
BCDC has jurisdiction over the Bay and land within 100 feet from the Bay's edge.
N
Pier 45

The Fisherman's Wharf study area includes the entire land and water area shown here. Port and BCDC jurisdiction are limited as indicated.

During the planning process the Committee found that the Wharf may benefit from a variety of upgrades such as improved transportation access and signage, new and enhanced public open space and public access, and more public services for visitors. In addition, the Wharf constantly requires costly pier repairs, and management of high volumes of people and vehicles. The Fisherman's Wharf Plan Recommendations address many of these needs in a comprehensive manner and provides criteria and suggestions for how these needs can be met.

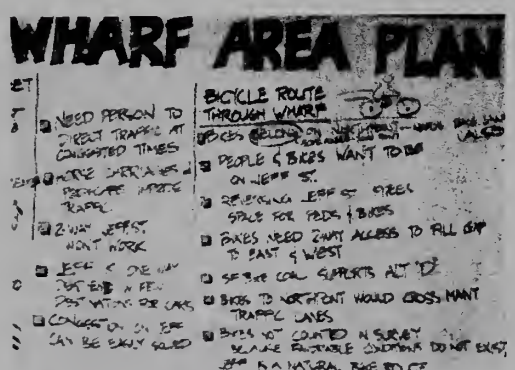
Study Area

The Study Area for the Plan Recommendations includes the entire area shown above. To ensure a comprehensive approach to the plan, the Port and BCDC staffs worked with the Department of Parking and Traffic (DPT) the San Francisco Planning Department, and Muni to analyze issues in the Wharf area that extend beyond jurisdictional boundaries, particularly circulation, and the pedestrian environment.

The open space and public access recommendations for the most part affect land and water uses within the Port's and BCDC's jurisdictions. The circulation recommendations also affect property outside the Port's and BCDC's jurisdictions, and require approval from other City agencies to be implemented.

Committee Goals

Following a walking tour and several public workshops held in early 2003, the Planning Committee adopted project goals on February 13, 2003 and identified topic areas for policy development. The goals were intended to be the basis for possible future amendments to BCDC's *San Francisco Waterfront Special Area Plan* and the Port's *Waterfront Land Use Plan.* The goals are listed below and a complete list of the goals and policy objectives are contained in Appendix A.


WHARF AREA PLAN
BICYCLE ROUTE THROUGH WHARF
PEOPLE & BIKES WANT TO BE ON JEFF ST.
BIKES NEED 2WAY ACCESS TO FILL GAP TO EAST & WEST
BIKES TO NORTHPT WOULD CROSS MANY TRAFFIC LANES
Notes from public workshop

Guiding Goal

Develop BCDC and Port plan amendments that successfully respond to community concerns consistent with the Burton Act, the McAteer-Petris Act, and the San Francisco Bay Plan which bring about substantial new public open spaces and economic revitalization that benefits Fisherman's Wharf businesses, residents and visitors.

Access & Transportation

Develop a transportation improvement plan that responds to the operational needs of the fishing industry and maritime uses, provides access to commercial businesses, and provides safe, multi-modal access to and through Fisherman's Wharf for visitors and employees.

Parking

Develop a parking plan for Fisherman's Wharf that allows visitors and employees to quickly and comfortably reach their destination within the Wharf. Maintain parking near the fishing industry and commercial businesses. Consider ways to maximize use of existing parking supply, and prepare immediate and long-term parking implementation measures.

Open Space and Public Access

Create an area-wide open space plan that maximizes public access to the waterfront edge. Implement the Port's Open Space policies of "Continuity, Sequence and Variety" by improving the circulation through the Wharf and by developing a plan for a plaza or series of linked public open spaces in the Triangle Lot and Pier 43-1/2 area. Develop policies that ensure maximum feasible public access is provided to the Bay and its shoreline, consistent with projects in Fisherman's Wharf.

Historic Preservation

Preserve, enhance, and feature the Port's valuable historic resources.

Land Use.
Create a land use vision for the future character of Fisherman's Wharf. Retain, attract and support those uses that contribute to that vision.

Facilities & Infrastructure.
Develop a plan that fulfills the long-term needs of the fishing industry, allows for the repair of existing facilities, and includes shoreline reconfiguration to maximize public use of the Bay and waterfront edge.

The Bay
Recognize the value of the Bay as a natural resource, and a visual and functional open space.

Urban Design
Develop design goals that emphasize the Wharf's strong natural and built features of the Bay, the fishing industry, and the commercial district.

Plan Implementation
Develop a realistic and effective implementation strategy that identifies costs, phasing opportunities, and potential sources of funding.

Review of Past Plans and Current Policies

Past Fisherman's Wharf plans and current policy documents:

The Port of San Francisco Waterfront Land Use Plan, 1997
Waterfront Land Use Plan - Design & Access Element, 1997
San Francisco Waterfront Special Area Plan, BCDC, July 2000
San Francisco Bay Plan, BCDC, 1969
General Management Plan, San Francisco Maritime National Historical Park, October 1997
General Management Plan, Golden Gate-Point Reyes National Recreational Area/National Seashore, September 1980
Fish Alley Study Area Historic Resources Evaluation and Design Recommendations, September 2001
Fisherman's Wharf Area Plan, Draft, July 1993
Fisherman's Wharf Action Plan, August 1981
Report of Mayor's Citizens Committee for the Preservation and Beautification of the Fisherman's Wharf Area, May 1974
A Plan for Fisherman's Wharf, 1961
Pier 45/Fisherman's Wharf Access and Circulation Study Findings and Recommendations Summary Report, December 1996

Fisherman's Wharf has been the focus of several planning and land use studies over the last 40 years. While some conditions have changed, many of the issues and solutions proposed in previous plans remain relevant today. Working with the Department of Parking and Traffic (DPT) and the San Francisco Planning Department, plans related to Fisherman's Wharf land use, urban design, circulation and parking were reviewed and summarized to inform the development of the Recommendations of the BCDC/Port Committee. A complete listing of the summarized plans is contained in Appendix F.

Planning Concepts

Hundreds of comments were received during early public workshops. The following are the main themes that emerged:

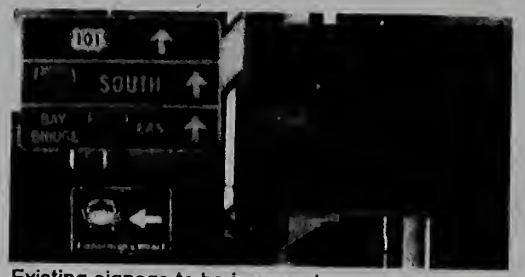
- Make the Wharf appealing to Bay Area residents
- Must have parking for Triangle Lot restaurants
- The Triangle Lot is a visual blight.
- It is difficult to drive through the Wharf.
- Need a Bay Trail/bicycle connection through the Wharf near the Bay edge.
- It is now unsafe to ride a bike through the Wharf.
- Need more open space in the central Wharf area.
- Pedestrians need orientation and information.
- Desire to know more about fishing industry and area history.
- Preserve economic vitality of the Wharf.

Based on the comments from the public and the BCDC/Port Committee, five primary planning concepts for improving access to the Wharf and improving the quality of the pedestrian environment were presented at a public workshop in May, 2003. The concepts were also presented in stakeholder meetings with restaurant owners at the Wharf, the Fisherman's Wharf Merchants Association, the Fisherman's Wharf Waterfront Advisory Group, interested citizens from nearby neighborhoods, Save the Bay, the State Coastal Conservancy, the Association of Bay Area Governments' Bay Trail Project, the San Francisco Bicycle Coalition, and Walk San Francisco.

Existing pedestrian signage along the Embarcadero that could be placed in Fisherman's Wharf

1) Create an Identifiable Center for Fisherman's Wharf

- Create a public open space that can easily be understood as being the center of the Wharf.
- Provide public information and restrooms in the Octagon Building or a replacement structure.
- Add public seating.
- Open up views to water and Pier 45 Shed A.



Existing signage to be improved

2) Create Open Spaces that Serve the Program of Fisherman's Wharf

- Create a series of open spaces oriented toward the visitor attractions of the Bay, the fishing industry, and existing commercial attractions.

- Improve pedestrian connections between the open spaces.
- Create new views and a pedestrian connection through the Mason Street corridor.
- Expand views to the Bay and Pier 45 Shed A.

3) Reinforce Jefferson Street as the Wharf's "Main Street" with all Modes of Travel

- Ensure continued service to all desired users while improving Jefferson's appearance, safety, and function.
- Consider changes to lane configurations and flow directions to allow for safe movement of bicyclists.
- Consider signage and other improvements to control vehicle speed.
- Widen and improve sidewalks where needed.
- Improve street furniture and lighting.

Corner of Taylor and Jefferson Street to be improved as the center of Fisherman's Wharf featuring:

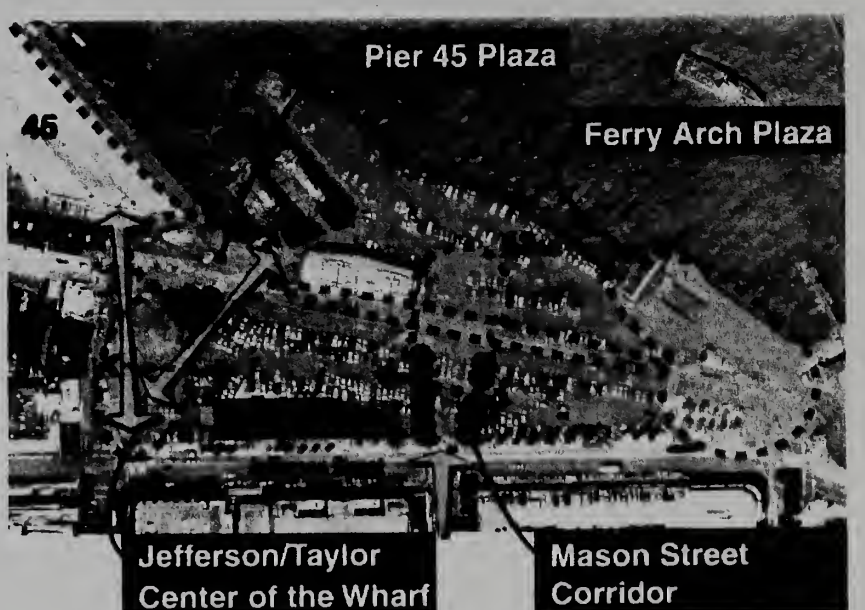
- The Fisherman's Wharf icon sign
- The smell of boiling crabs from Taylor Street
- Additional public seating within a new plaza
- Public information center
- F-Line stop (existing)
- Improved views to the Bay and Pier 45

4) Orient Pedestrians to Wharf Destinations

- Add pedestrian signage similar to Embarcadero pedestrian signage.
- Locate signage outside parking facilities, at cable car stops and at other transit facilities.

5) Guide Motorists to Available Parking

- Add vehicular signage on main streets leading to the Wharf. Intercept and direct non-Fisherman's Wharf traffic to alternate streets.
- Add signage at Wharf perimeter directing motorists to available parking on Beach and North Point Streets.



Concpt diagram noting location of new open spaces on the Triangle Lot and Pier 43-1/2

Committee Recommendations

Following the review of planning concepts, numerous open space, transportation and parking alternatives were presented during public workshops and at a Committee public meeting on February 11, 2004. The Committee considered the extensive public input and made recommendations to guide the future development of the Wharf area. Those recommendations follow.

Public Access & Open Space

On February 11, the Committee reviewed three options and made recommendations for how the Triangle Lot and the Pier 43 and 43-1/2 shoreline edge could be reconfigured to improve the quality of the pedestrian experience in Fisherman's Wharf.

Committee Recommendation:

The committee supported the creation of a series of linked open spaces as depicted in the three options presented by staff that include the following:

- Remove a substantial amount of fill (approximately. 50,000 sq. ft.) of Pier 43-1/2 to create an open water basin and a Fisherman's Wharf Shoreline Promenade that extends The Embarcadero Promenade from the Pier 43 Ferry Arch to Pier 45;
- Provide for additional vessel berthing in the new open water basin;
- Develop new open space plazas in front of Pier 45 Shed A, at Taylor and Jefferson Streets including widening of Taylor Street sidewalks, and in the Octagon Building area at the edges of the Triangle Lot, while maintaining parking at a level comparable to what currently exists;
- Maintain parking capacity in Triangle Lot comparable to what currently exists;
- Extend the Mason Street corridor from Jefferson Street to the Embarcadero;
- Restrict commercial uses within new public open spaces to ensure these areas are available for passive recreational use by the public; and
- Add trees to beautify and screen views of the Triangle Lot parking.

Proposed plaza at Taylor and Jefferson Streets

The Committee noted that removing the Octagon Building would provide more room for parking and public open space, and would open views to the Bay, but would also remove needed public restrooms. Further study is needed to determine whether the Octagon Building should be renovated to incorporate a much needed visitor information center or removed, with the visitor information center and restrooms provided elsewhere nearby.

Octagon Building Removed- Alt. A

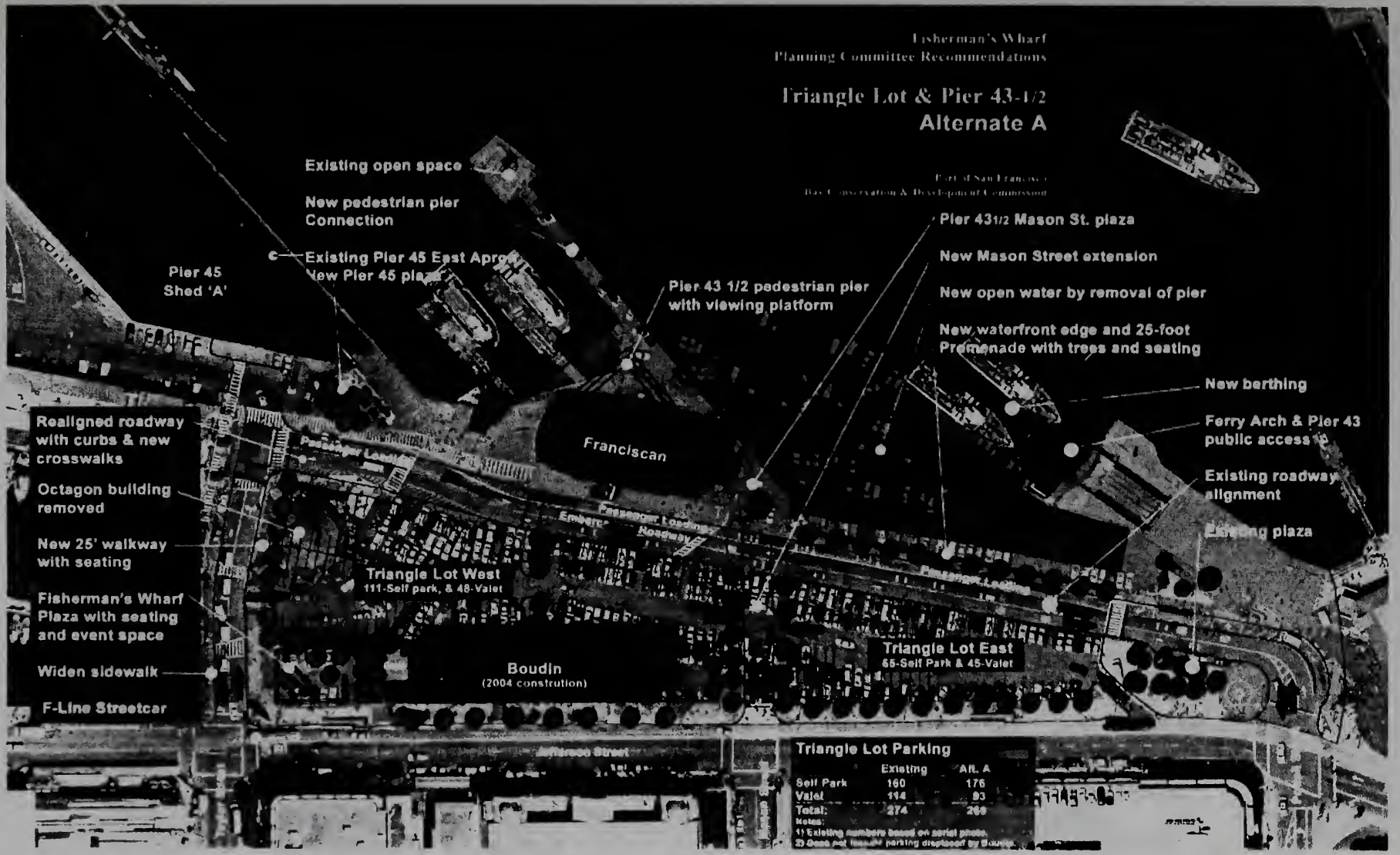
- Remove Octagon Building
- Provide restrooms and public information at another location
- Widen Taylor Street sidewalk

Octagon Building Renovated- Alt. B

- Use Octagon for a public information center and restrooms
- Renovate to become inviting & attractive with lighter paint colors and aging treatment on the copper roof
- Remove surrounding fencing and provide pedestrian improvements

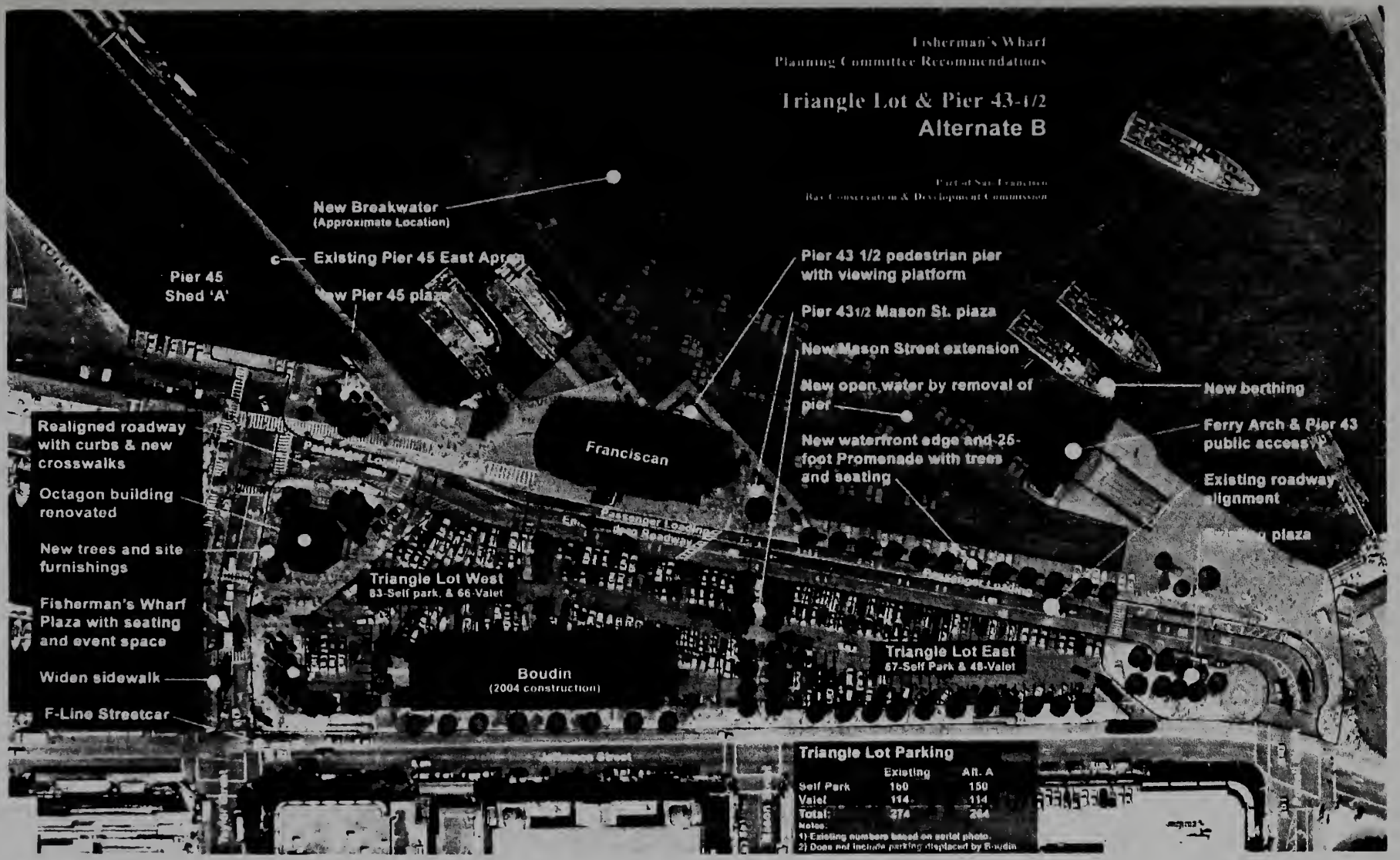
Several open space alternatives were presented for public and Committee review. Two of these, Alternatives A and B (see following pages) are closely related and represent the conceptual open space and public access improvements endorsed by the Committee for the Triangle Lot and Pier 43 to Pier 45 area. Both alternatives accomplish the following: remove significant portions of Pier 43-1/2 to create open Bay waters and meet BCDC policies for reducing fill and creating a Fisherman's Wharf Shoreline Promenade along the Embarcadero; accommodate additional berthing at Pier 43; and create new public open spaces adjacent to the entrance of Pier 45 Shed A, on the Bayside of the Franciscan Restaurant, and at the corner of Taylor and Jefferson Streets.

These alternatives are conceptual and subject to further review and refinement, particularly details pertaining to berthing areas, the Mason Street extension, and improvements to the Octagon Building area. Alternative C, which was not endorsed by the Committee is included in Appendix C. Planning level cost estimates for the open space improvements are included in Appendix E. Improvements could be constructed incrementally as funding becomes available. Funding has not yet been identified for any improvements, and could be a combination of various sources of Port, City and grant funds.



Alternative A

Significant portions of Pier 43-1/2 would be removed to create open water and additional berthing could be accommodated at Pier 43. The existing terminus of Pier 43-1/2 would be retained with a narrow pedestrian pier extending out into the Bay. A new Fisherman's Wharf Shoreline Promenade would be created along the Embarcadero connecting Pier 45 to the Pier 43 Ferry Arch. In the Triangle Lot area, the Octagon Building would be removed and replaced with a 25-foot width walkway along Taylor Street. Public information and restrooms would be added in another nearby location. The corner open space at Taylor and Jefferson Streets would be improved with a slightly elevated plaza with seating, landscaping, and space for special events. Vehicle access from Taylor Street to the Triangle lot would be maintained. Mason Street would be extended between Jefferson Street and the Embarcadero as a street. Parking would continue on the Triangle Lot functioning as two parking lots, both capable of self-park, valet, and able to meet validation needs for area restaurants.



Alternative B

Significant portions of Pier 43-1/2 would be removed to create open water and the Fisherman's Wharf Shoreline Promenade, and additional berthing could also be accommodated at Pier 43. In Alternative B, the existing terminus of Pier 43-1/2 would be removed and a pedestrian viewing platform created behind the Franciscan Restaurant. In the Triangle Lot area, the Octagon Building would be refurbished as a public information center with restrooms and a small commercial tenancy. The open space around the Octagon Building would be enhanced by removing perimeter screening, adding trees at the northeast corner for a café seating area, and improving the lighting, paving, and site furnishings. The open space at Taylor and Jefferson Streets would be improved with seating and landscaping, and vehicular access from Taylor Street to the Triangle lot would be maintained. The Mason Street corridor would be extended between Jefferson Street and the Embarcadero as a pedestrian walkway that continues to allow vehicle access through the Triangle Lot. The Triangle Lot would continue to be used for parking in substantially its current configuration, including validated parking for area restaurants.

Transportation & Parking

Throughout the planning process, public interest in transportation and circulation issues remained high.

Public workshops held during 2003 revealed that transportation and circulation issues were of high concern for almost all that participated in the Fisherman's Wharf planning process. The Port and BCDC, working with the Department of Parking and Traffic (DPT), presented possible area-wide circulation improvements and alternatives for how visitors could access the Wharf, and how Jefferson Street could accommodate all the desired travel modes of the area, specifically the connection of the heavily used bicycle routes to the east and west of the study area. As a result, recommendations were prepared and supported by the Committee to improve access to the Wharf and Wharf destinations for drivers and pedestrians, and improve the quality of the pedestrian environment.

The Committee recommendations are divided into two sections: 1) a set of possible improvements to improve access to the Wharf, enable visitors to efficiently reach their destinations, and improve traffic flow; and 2) possible improvements to Jefferson and Beach Street to accommodate the many travel modes on those Streets. Most of the recommended improvements affect areas outside of the Port of San Francisco's and BCDC's jurisdiction. Further coordination by other City agencies including but not limited to DPT, the San Francisco Planning Department, the Department of Public Works, and San Francisco Municipal Railway (MUNI) is required to review these recommendations and determine implementation action.

The general consensus of the public was supportive of the Committee's area-wide circulation improvement recommendations, however, there were many opinions specifically expressed on the most suitable way to configure Jefferson Street. The Committee's received and considered comments on these issues prior to developing its recommendation for further study.

Traffic on Jefferson Street at 4 p.m. Saturday

Traffic on Beach Street at 4 p.m. Saturday

Traffic Congestion on Jefferson Street

Motor vehicle traffic on Jefferson Street is frequently congested due to a combination of moderately high traffic volumes, double-parked vehicles, intense pedestrian activity and vehicles queuing up to enter off-street parking facilities. Even when Jefferson Street is congested, traffic on the parallel Beach and North Point Streets is typically light and uncongested. Drivers seeking parking on Jefferson Street cause much of the congestion. However, since parking availability on Jefferson Street is limited, many drivers ultimately find themselves accessing parking facilities on Beach or North Point Streets. The Committee reviewed proposals that, with relatively modest effort, could reduce traffic congestion on Jefferson Street, increase the effective parking supply by adding signage, and more efficiently use existing parking.

Committee Recommendation:

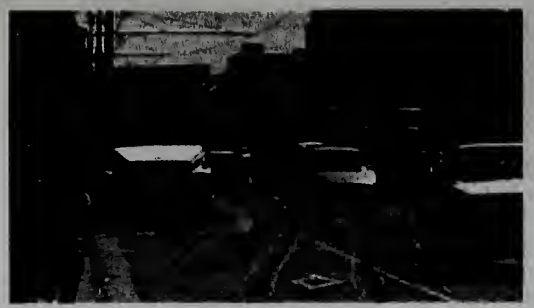
DPT should develop a sign program to divert traffic to desired parking destinations on Beach and North Point Streets, which may include modifications to intersections. Drivers that do not have destinations in Fisherman's Wharf but travel on Jefferson Street could be directed to parallel streets. This could be accomplished by improved signage on streets approaching the Fisherman's Wharf area and improvements to selected intersections to direct through traffic to Beach and North Point, thus facilitating local traffic destined for Fisherman's Wharf to access Jefferson Street. Also, the Committee agreed with merchants that posting effective traffic management personnel at key Jefferson Street intersections by DPT during peak summer periods could improve traffic flow.

Traffic Signage

Some visitors to the City have stated that they had difficulty finding their way to Fisherman's Wharf by car. It is a common enough question at the Golden Gate Bridge that toll-takers pass out printed directions.

Committee Recommendation:

DPT should review existing Fisherman's Wharf guide signage along key access corridors and improve as necessary



Delivery trucks double-parked on both sides of Jefferson Street

Delivery Loading

Lack of delivery loading spaces on Jefferson Street results in double-parked delivery vehicles, which create traffic congestion and delays.

Committee Recommendation:

The Port should establish loading zones pursuant to the Harbor Code to provide for curb-side loading for delivery trucks on each block of Jefferson Street. Designated loading zones may only be needed during morning hours. Install signs and curb paint indicating the time limit and hours and days that the zones are effective to prevent long-term parking in these zones and noting their availability for parking after delivery periods. The Committee also recommends that Fisherman's Wharf merchants consider limiting deliveries to morning hours, and that DPT should increase enforcement of parking regulations to improve access to loading zones.

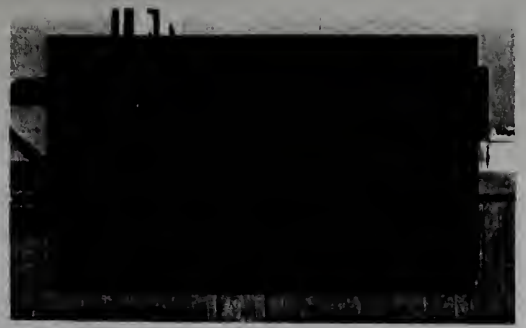
Taylor Street crosswalk just north of Jefferson Street

Mid-block Crosswalks

A mid-block crosswalk on Taylor Street approximately 50 feet north of the Taylor/Jefferson intersection disrupts southbound Taylor Street traffic. If pedestrians are using the crosswalk at the same time that southbound traffic on Taylor Street has a green light, only two vehicles can proceed through the intersection during each green light.

Committee Recommendation:

There are four crosswalks within the 250-foot block length on Taylor Street from Jefferson Street to the Embarcadero. The Port, in consultation with DPT, should evaluate the locations of the crosswalks and adjust appropriately for safe pedestrian and vehicular movement.



Signage system used in the Union Square area

Full Parking Facilities

Fisherman's Wharf drivers gravitate to the most obvious parking facilities, such as the Pier 39 Garage, the Triangle Parking lot and the Wharf Inc. lot at Beach and Jones Streets. Drivers also search the area for the least expensive parking, resulting in increased traffic. When the most obvious facilities fill, two problems arise: 1) drivers don't know the facility is full, or are at a loss as to where else to look for parking, so they stop outside these facilities waiting for a space to become available; and 2) these queues cause traffic congestion.

Cars waiting to enter the Triangle Parking Lot

Cars waiting to enter a Beach Street parking lot

Committee Recommendation:

DPT, in partnership with the Port, should develop a parking signage system to direct drivers to all the major parking facilities in Fisherman's Wharf.

Signage options range from simple static information that inform drivers of size and location of parking facilities, to changeable signs that are electronically linked to many facilities providing up to the minute occupancy information. Sign locations would likely be at the perimeters of the district, at key intersections, and at the entrance to parking facilities. Parking lot operators should develop and deploy consistent "lot-full" signage and inform motorists of other available parking when full lots are encountered.

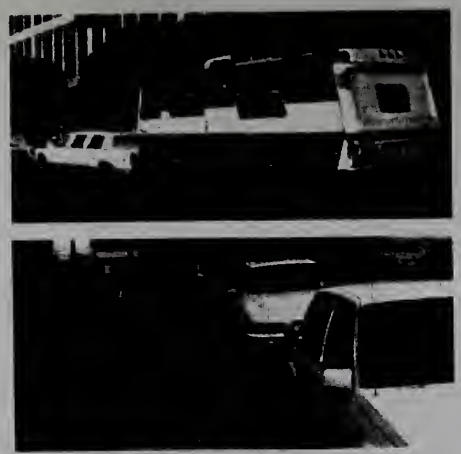
80 Francisco Street garage is closed on weekends

Parking Facilities That Are Closed On Weekends

Two parking garages on Francisco Street do not open on weekends because of lack of signage for drivers to find them. These two garages could increase the available weekend off-street parking supply in the Wharf area by several hundred spaces.

Committee Recommendation:

The Port and DPT should meet with operators to discuss opening these lots on weekends, and, if appropriate, add signage directing motorists to these facilities.



Unrestricted on-street parking

Unrestricted On-Street Parking

Within the study area there are nine blocks with commercial frontages without on-street parking restrictions, allowing drivers to park free for unlimited time periods. These spaces are predominantly used by Fisherman's Wharf employees, and in some areas by MUNI employees and by local residents. Charging for parking in these spaces may encourage travelers to switch to public transit and alternative travel modes, or increase usage of spaces in nearby underutilized off-street parking garages.

Committee Recommendation:
The DPT should meet with community to determine which blocks are appropriate for meters and install meters.

Line for the cablecar

Transit Overcrowding

The cable cars and F-Line cars are frequently filled beyond capacity forcing potential patrons to wait up to an hour in line to board the cars.

Committee Recommendation:
The Municipal Railway should improve frequency of service on these popular routes.

Sidewalk obstacles in areas of heavy pedestrian use

Pedestrian Obstacles

Sidewalks in Fisherman's Wharf are often congested, creating an interesting, but sometimes frustrating condition. Sidewalk obstacles such as vendors, newsracks and retail displays sometimes detract from pedestrian comfort and limit movement on many study area sidewalks. Many sidewalk displays violate San Francisco Public Works Code Section 183-4(d) by extending more than 24 inches into the sidewalk.

Committee Recommendation:

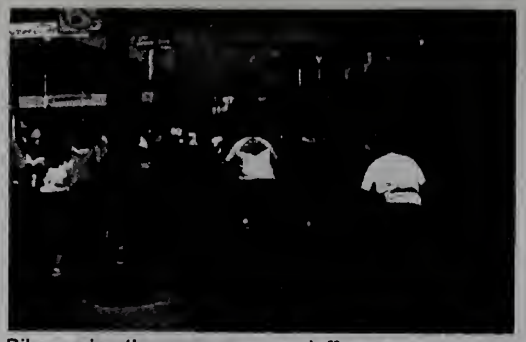
1) The City should control unlicensed vendors through the City's Street Artist program;
2) The Port and the City should enforce merchant sidewalk display requirements to allowable encroachment areas;
3) The Port and the City should review locations of sidewalk street furniture and adjust as appropriate, and coordinate with the City's newsrack program for installation of grouped newsracks; and
4) The Port should explore possibility of widening sidewalks on the north side of Jefferson Street between Jones and Hyde Streets with consideration for balancing needs of pedestrians, Port tenants, and possible future streetcar line.

Pedestrian Scramble System

The all-pedestrian phase or "scramble" pedestrian system in place on Jefferson Street at Powell, Mason, Taylor and Jones Streets, which permits north-south, east-west and diagonal crossings simultaneously, is not well understood by Fisherman's Wharf visitors. In addition, those pedestrians who do not cross the street during the allowable signal phase endanger themselves and cause traffic on Jefferson Street, Taylor Street and The Embarcadero to move less efficiently.

Committee Recommendation:

DPT should eliminate the scramble and convert the intersections to a conventional signal operation. Alternatively, DPT could consider adding diagonal crosswalk lines to make the intersections more understandable.



Bikes going the wrong way on Jefferson, a one-way street

Jefferson Street

The Committee considered many Jefferson Street reconfiguration alternatives and ultimately recommended that staff explore Alternative E, a shared bicycle route in the southern, westbound lane of Jefferson Street that: 1) maintains one-way westbound traffic on Jefferson Street; and 2) provides for eastbound bike access on Beach Street. The Committee acknowledged the importance of connecting the existing shoreline bicycle network in Fisherman's Wharf, but was concerned that Jefferson Street is already over-crowded, and that other reconfiguration proposals to incorporate bicycle access compromised safety. The Committee viewed proposals that require bicyclists to cross the MUNI railway tracks at less than a 90° angle to be unsafe.

DPT staff has indicated that a shared bike/vehicular lane in the southern lane may not be advisable due to the number of conflicting left turn traffic movements from intersecting streets, potential bicycle/car-door conflicts, and the unfamiliarity of cyclists riding on the left side of the street. DPT staff recommended consideration of the shared lane in the northern westbound lane. However, this would dictate the need to reconsider safety trade-offs with bikes crossing MUNI tracks and another MUNI concern of locating a shared route adjacent to the MUNI F-line right-of-way.

The Committee recommended that Jefferson Street be further studied after implementation of previously described recommendations to redirect traffic to Beach and North Point Streets and improving parking information in the Wharf area. Other alternative concepts for Jefferson Street that were not acceptable to the Committee, may warrant reconsideration by the City. The other alternatives are described in Appendix D of this report.

Committee Recommendation:
DPT should evaluate the feasibility of locating bicycle access in a safe, shared lane on Jefferson Street retaining two west-bound lanes, and minimizing conflicts with existing MUNI F-line operations. Also, implement improvements that maximize cyclists' safety. Jefferson Street should be further studied to determine if other changes are warranted after implementation of other recommended transportation improvements that direct traffic to desired destinations along Beach and North Point Streets.

Conclusion and Future Study

Crab stalls along Taylor Street

Existing view of the Triangle Parking Lot

A primary goal of the Fisherman's Wharf planning process was to provide a comprehensive program for the creation of major public open spaces, public access, and public benefits, which also enables the Port and its tenants to maintain and improve piers and waterfront facilities in an economically feasible manner. To achieve high quality public open space and pedestrian improvements, circulation and parking issues also needed to be addressed in the Wharf area. The Committee recommendations lay the groundwork for creating a system of linked open spaces that complement and highlight Fisherman's Wharf unique and enduring features, and create a vision for how the shoreline could be reconfigured to create open water areas.

With this vision in place, the Port and BCDC can work further with the community and City agencies to focus on implementation and regulatory changes that also enable Port businesses to improve and repair their facilities. One of the key regulatory issues underlying this planning process is a joint Port/BCDC interest in finding a better way to meet BCDC fill removal objectives. One of those policies, the Replacement Fill policy (also known as the "50% Rule"), requires existing pile-supported restaurants and water-oriented commercial recreation businesses conducting major substructure or seismic repairs to remove fill or provide pile-supported open space in an amount equal to 50% of the business' building footprint.

The Committee's open space and public access recommendations represent the removal of a substantial amount of fill, which would likely exceed the collective fill removal obligations of existing waterfront businesses. As such, the opportunity exists to create a "fill removal bank", which provides dual benefits. By targeting removal of Pier 43-1/2, the Port can identify a venue through which its tenants can meet BCDC fill removal requirements associated with major facility repair projects, and incrementally achieve the open space improvements recommended by the Committee. The Port presented this proposal to the BCDC Commission in June 2004. BCDC has expressed an open and receptive response to working further with the Port on this and other regulatory issues to facilitate the maintenance and improvement of businesses and facilities within its jurisdiction.

In addition, the Port will pursue further work with the City to identify funding and implementation mechanisms to bring about the public open space and transportation benefits in the Wharf. Given the importance and economic value of Fisherman's Wharf for the City and Bay Area, it is in the interests of the Port, City and BCDC to work together to maintain and improve the area for the enjoyment of visitors and residents alike.

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AUGUST 31, 2004
MINUTES OF THE MEETING

Special

MEMBERS, PORT COMMISSION

HON. WILFRED HSU, PRESIDENT
HON. MICHAEL HARDEMAN, VICE PRESIDENT
HON. KIMBERLY BRANDON
HON. SUE BIERMAN
HON. ANN LAZARUS

MONIQUE MOYER, EXECUTIVE DIRECTOR

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE SPECIAL MEETING
AUGUST 31, 2004

1. CALL TO ORDER / ROLL CALL

Commission President Wilfred Hsu called the meeting to order at 3:08 p.m. The following Commissioners were present: Wilfred Hsu, Michael Hardeman and Kimberly Brandon. Commissioner Bierman arrived at 3:17 p.m. Commissioner Lazarus was not present.

2. APPROVAL OF MINUTES - July 27, 2004 Meeting

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; the minutes of the July 27, 2004 meeting were adopted.

3. EXECUTIVE

A. Executive Director's Report

- Radiation Monitoring Portals: The Department of Homeland Security and Bureau of Customs and Border Protection has developed Radiation Portal Monitors to be installed at most U.S. seaports They have selected San Francisco' Pier 80 as the first cargo facility on the west coast to install and test the radiation monitoring portals. Ms. Moyer commended employees from the Engineering, Maritime and Maintenance divisions of the Port who performed an excellent job to meet deadlines and protocols.

- China Basin Gangways: The China Basin Gangways were completed on July 31st. There are a couple of punch list items that need to be completed which staff will do once the season ends. She commended employees from the Engineering, Maintenance and Maritime divisions of the Port for their incredible work to accomplish this task.

- Update on Contracting with respect to Disadvantage Business Enterprise (DBE): As the Commission is aware, a case was filed against the City entitled Coral Construction Inc. vs. John L. Martin and Schram Construction Inc. v. CCSF. The Superior Court issued an injunction against the City finding that the MBE/WBE program was inconsistent with Prop 209 for providing contracting benefits to women and minorities. On August 17, 2004, the court clarified its order and excluded from the injunction contracts that were in place and selection processes that were underway including Request for Proposals that had been issued but not yet completed and/or awarded. A couple of RFPs are on today's calendar and they will be going forward under a new Disadvantage Business Enterprise Program, not the MBE/WBE program in accordance with federal law but also in accordance with an emergency ordinance proposed and adopted by the Mayor and the Board of Supervisors.

- New Boat: With the help of Port Maintenance Supervisor Guadalupe Thomas, the Port has acquired a new 50-foot twin diesel work boat named Mission Rock from the U.S. Navy. The boat would be helpful in moving our barges and other things around the waterfront and it will present huge benefits to the Port. A tremendous amount of work went into refurbishing the boat. Ms. Moyer commended the Port's electricians, ironworkers and a number of crafts who helped get the Mission Rock boat launched and berthed at the Hyde Street Pier.

- Layoffs: Today is the last day for eleven Port employees who have been laid off. It is a sad day for the Port. She commended the employees for their tremendous efforts, their willingness to stay committed to the Port over the summer and all their contributions in the past. They will be missed.

4. ENGINEERING & MAINTENANCE

A. Request for authorization to advertise for competitive bids for Construction Contract No. 2698, Ferry Terminal TSA Security Enhancements. (Resolution No. 04-69)

Project Manager Kathy Nakazawa requested Commission's authorization to advertise for Contract No. 2698. The Port received a TSA grant in the amount $3,475,000 of which the ferry terminal received $225,000. The objective of the grant is to provide general security improvements to the ferry terminals based on the security assessment conducted last year. The scope of work entails enhancements to Gate B and E to include new bollards to prevent vehicle access to the plaza as well as the ferry terminal, security fencing, new 24/7 locks, secondary security access gate as well as replacement gates for safety. The engineering estimate is $218,000. If the Commission authorizes staff to advertise the project, staff plans to advertise in mid-September, award October 29 and issue a Notice to Proceed by mid-December and have the construction completed by July 2005.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; Resolution No. 04-69 was adopted.

B. Request for authorization to advertise for competitive bids for Construction Contract No. 2696, Pier 80 Security Enhancement TSA Grant Phase 3 Project. (Resolution No.04-70)

Project Manager Ken Chu requested Commission's authorization to advertise Contract No. 2696. The total TSA grant funding available for the project is $450,000. The scope of work includes a new security station as a base bid item. As an alternate bid item, the project also includes a wireless surveillance camera system, an intrusion detection system and new lights at various locations. The Bureau of Architecture of the Department of Public Works performed design and construction management services for the project for a total fee of $191,342. The rest of the $450,000 grant funds will be used for construction which is estimated at $250,000. The engineer's estimate for the project base bid is approximately $220,000. Staff plans to complete this project by February 2005.

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 04-70 was adopted.

5. ADMINISTRATIVE SERVICES

A. Request for adoption of the Port's Draft Statement of Incompatible Activities. (Resolution No. 04-71)

Port Human Resources Manager Kathy Mallegni requested Commission's approval of the Port's Draft Statement of Incompatible Activities by Port employees and officers which would be considered inconsistent, incompatible or in conflict with their duties as Port employees or officers. Last November, the City adopted the Campaign and Government Conduct Code and required that each department submit such a statement to the City's Ethics Commission by August 1st of each year. This is the first year that this is in effect. Port staff submitted a draft to the Ethics Commission as required. The Ethics Commission has now referred the draft statement to the Civil Service Commission for comments. Upon completion of their review, the Civil Service Commission will comment upon and return the statements to the Ethics Commission whose staff will conduct meet and confer with unions representing affected Port employees.

The statement is divided into five sections: (1) A general statement of incompatible activities including activities that may later be subject to control, inspection, review, audit or enforcement by the same employee, other Port staff, or the Port Commission. (2) The use of Port resources for performing work for a tenant or a vendor or for other non-Port or personal use. (3) Seeking or accepting gifts, loans or other compensation with firms that do business with the Port, using privilege information for the gain or advantage of a person doing business with the Port, engaging in outside employment that would require the employee to disclose confidential information or would impair his or her independent judgment, representing a tenant or a contractor before City boards and commissions or accepting compensation from other sources for work the employee is required to do as a Port employee. The remaining sections deal more specifically with and elaborate upon some of the areas mentioned in the general statement including the prohibition of the use of City time, facilities, equipment and supplies or prestige of office for private gain or advantage. Receiving compensation for assistance with City services that an employee would be expected to provide in the course of his/her employment. Prohibiting performance of acts directly or indirectly subject to the control, inspection, review, audit or enforcement of that same employee or officer or the Port Commission such as doing design, construction or project management work for a tenant or providing specific advice to prospective bidder. Prohibiting time demands such as additional employment that would make the employee or officer less efficient. Staff has attempted to be as comprehensive as possible and yet make it specific to those activities that are clearly incompatible with Port activities. This draft report will be changed during the meet and confer process or by the Ethics Commission. The statement is intended to provide guidance to employees and will be made available to them once it is adopted and each year thereafter.

Commissioner Hardeman asked about the similarity between other departments and the Port. Ms. Mallegni replied that the Civil Service Commission is currently addressing that issue. Each department drafted the report independently. There are a lot of inconsistencies. The Civil Service Commission will address that problem.

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 04-71 was adopted.

B. Request for authorization to issue a Request for Proposal (RFP) to 501c3 non-profit organizations for a Youth Employment Program to help maintain the Port's property. (Resolution No. 04-72)

Deputy Director Tina Olson indicated that the Executive Director in July apprised the Commission that the Board of Supervisors added back $150,000 to the Port's budget for youth employment program. Port staff is proposing to issue an RFP to a non-profit organization to organize, implement and administer such a program to help maintain Port's property, specifically for litter removal, graffiti abatement, etc. Staff estimates that a contractor would be able to employ approximately 10 youth annually with the $150,000 at $10 per hour working at various hours; fewer hours during the school year, more hours during winter and spring and summer breaks as well as pay two supervisors to oversee the crew and pay for a program coordinator from a nonprofit. Staff has a list of at least 18 non-profits from the Dept. of Children Youth and Family who would be interested in competing for this proposal. Staff hopes to release the RFP tomorrow and have a contractor on board by the middle-to-late October.

Commissioner Brandon inquired about the type of qualifications that staff is looking for from the respondents. Ms. Olson replied that staff is not only looking for a non-profit that has had experience in recruiting, hiring and managing youth (16-24) who are from economically disadvantaged or at-risk categories but also experience specifically towards maintaining property or environmental management. There are a few non-profits that have that experience such as S.F. Conservation Corps and S.F. Crew.

Commissioner Brandon about the selection criteria be for the proposals. Ms. Olson replied that the selection criteria would be understanding the project and the task to be performed which is specifically recruiting and hiring youth from the disadvantage backgrounds, reasonableness of the work schedule, cost, reasonableness of getting the work done, recent youth employment program experience of the staff assigned to the project, professional qualifications and education of the staff assigned to the project, work load, staff availability and accessibility, expertise in developing and delivering youth employment programs, quality of recently completed youth employment programs including adherence to schedules, deadlines and budgets, experience with similar youth employment programs of similar size and results of reference checks.

Commissioner Hardeman indicated that he sat on the California Conservation Board and San Francisco Conservation Board and was glad that they are on the list as they deal with the type of people Ms. Olson mentioned. He also suggested to included the Treasure Island Job Corps.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; Resolution No. 04-72 was adopted.

6. REAL ESTATE

A. Request for approval of lease with the S.F. Maritime National Park Association located at Pier 45, Shed A, at Fisherman's Wharf. (Resolution No. 04-73)

Asset Manager Nic Dempsey indicated that for the last 23 years, the SF Maritime National Park Association and its predecessors have been operating tours and the maintenance of historical static exhibits at Pier 45 relative to the U.S.S. Pampanito. During that period, they have treated millions of visitors and students in the bay area to the experience of the World War II submarine and the heroism of those who served on them and the history of submarine welfare and the development of the submarine. In order to expand that program, the association believes that a larger in-house museum and classroom facilities would allow them to expose those products to larger groups and to those not able and/or willing to go on board the submarines. To accomplish that, they propose to expand their existing 2,000 s.f. facility to approximately 8,000 s.f. wherein they will develop not only offices for the administration of their facility but a large static display museum and a classroom. The cost of which is very expensive particularly for a small non-profit organization. In order to qualify for the grants and loans it will need to build the new interpretive center, museum and classroom, they need a long-term lease with the Port to demonstrate to the grant givers the long-term viability of the product. They have approached the Port for a lease of 5 years during which they would undergo fundraising and would construct the facility following which there would be a 20-year term for the operation of the museum. In return they would pay to the Port market rate rent plus percentage rent of 6% of sales and 9% of merchandise. Port staff has negotiated the terms of the lease based on all standard Port terms and provisions with the exception of the release of the association for liability, hazardous materials handling on the pier apron over which they have no exclusive control but they are responsible for all other hazardous material matters and they are responsible for having this material introduction on the pier apron caused by the association, its agents, employees, customers and invitees.

David Pettis, President of the Board of Trustees of the National Maritime Park Association, indicated that the association has been in business for 54 years and is dedicated to the concept of preserving the historic treasures, educating and enhancing people's understanding of what went before the maritime heritage that made the City what it is today. They work in two particular areas. One in their valued partnership with National Park Service at Hyde Street Pier and the Maritime National Historic Park. The second element is the World War II submarine history that is emblematic and contained in the Pampanito submarine. One can never have a better understanding of what those people went through when they served our country. They bring that history to life. There are artifacts they cannot show. There are all kinds of things they can't show the public and educate the 15,000 kids a year that they would like to show. The museum will allow them to tell more of the overall story. In turn, the Port will absolutely fulfill its obligation under the McAteer Petris Act. It allows them to improve their access to serve more diverse audience, to provide history, maritime use and educational uses as well. He urged the Commission to approve their request.

James Adams, Manager of the USS Pampanito, indicated that the Pampanito is a national monument. According to the U.S. Navy, she is the number 1 monument to the World War

II submarines in the country today. They are very proud of her, their volunteers, their staff that brought this boat into a living classroom for all of the school children in the bay area to visit and understand about WWII history. The classroom will be built with ADA access.

Elizabeth Kibbe, Executive Director of San Francisco National Maritime Park Association, thanked the following Port employees for their help with this lease: Carol Anderson, Nic Dempsey, Lisa Clay, Linda Battaglia, Phil Williamson, Dan Hodapp and the Executive Director and the number of Commissioners who came to visit. The staff report covered a lot of the points they wanted to convey. Nic Dempsey had mentioned that in order for them to qualify for certain grants and loans, they need to have a long-term lease. They found out yesterday that they didn't qualify because they didn't have a long-term lease. For them to continue to build and improve upon the historic vessel and museum, they will need a long-term lease from the Port. They have a history of being a good neighbor at Pier 45. They attract somewhere between 100,000-200,000 visitors a year on board the submarine. These visitors also visit restaurants, attractions, and other businesses in the Fisherman's Wharf area. Their leases depend upon a percentage of revenue from their gift shops and ticket sales. With the attraction of the museum they also anticipate getting more visitors to Pier 45 and more revenue for the Port. They will be investing quite a bit of money into Shed A and continue maintenance on the apron and it will improve Pier 45 and the Port Walk area. She urged the Commission to approve their lease.

Commissioner Hardeman thanked everyone for all their efforts. This is a spectacular addition to the Port.

Commissioner Bierman expressed the same sentiments as Commissioner Hardeman. This will be not only be educational but also exciting for families, youth and senior citizens. It brings a feeling of what it must have been like out there with the enemy and having to come up late at night to have the only chance of coming up safely. It will be a real addition to people's lives to come and see it.

Commissioner Brandon indicated that this is going to be a wonderful addition and was glad to see this proposal is finally being completed and congratulated them for their success.

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 04-73 was adopted.

B. Request for approval of the Southern Waterfront Interim Use Condition Notification Guidelines. (Resolution No. 04-74)

Deputy Director Ken Winters indicated that the Southern Waterfront Interim Use Condition Notification Guidelines is a set of procedures and steps that are established that will lead Port staff in the notification process with the communities, primarily China Basin, Pier 70, the community advisory committees and the Southern Waterfront Advisory Committee. During the past several years, the Planning Division has taken a greater lead with the communities and working through developing and understanding the inter-

relations between what the Port has to the east, from Illinois Street along the waterfront as well as considering the adjacent communities following through Terry Francois, winding its way around Illinois along the eastern edge of the frontage or corridor at the southern waterfront. With respect to the focus of the interim use, this pertains to the Piers 70, 80, 90, 92, 94 and 96 which comprises of approximately 160+ acres. This area and most of the zone within this area are targeted for eventual redevelopment thus the interim use. Under the interim use, staff is looking to accommodate certain leasing, one to support the current use of maritime. The Port has a number of support maritime operations, cargo, drydock as primary functions within this area. Second would be generating revenue on certain maintenance. There are a number of deferred maintenance issues with the facilities primarily around Pier 70, as well as historical element and revitalization. With respect to revitalization, one of the Port's interests and concerns continues to be security and viable activity within these various areas. Specifically, addressing the concerns under the notification requirements for the communities and the Port, dust emissions and aesthetics are primary drivers with respect to how staff looks at the proposed uses of various prospective tenants and try to make the right assessment. One is the determination of worthiness of tenancy based around a number of criteria points which are outlined in Exhibit B, a pre-lease worksheet, where a great deal of information is compiled for Port underwriting and the cooperation with the various divisions of the Port (Planning, Environmental Health and Safety and Real Estate). They are working to extract the use and describe that for various discussion opportunities with the communities, first around a pipeline document which will list the prospects as determined and then a final report to summarize the proposed use as a final determination and understanding of the various used proposed by prospective tenants. On page 2 of the staff report is an outline which follows the steps most of which the Port has done in the past. Key to this guideline is organization and the reorganization of data, certainly the coordination of the visions with the Port and the partnering with the community. He pointed out that it is a two-way street. The community and the Port as a partner and the Port and the community, in turn, is a partner and having an open dialog in a communicative process that's formalized. Staff has commenced with the planning process to identify zones, looked through the various proposed uses that may be suitable, around concerns of burdens, the points of the environmental impact of dust emissions, and aesthetics and try to lay out a map and target the various prospective tenants and uses that fit into these various zones as defined in Exhibit A.

Working through the pre-screening, the Port will find the organization of its application more functional and readily communicated for the various divisions, get to the points of concern and find the service in an expedient manner for dialog and exchange around the concerns and final decision with any prospective tenants. On through the underwriting from a credit worthy standpoint, the different elements of the negotiations that the Real Estate Department may use also may be benefited by the detail provided for under the worksheet. With respect to the monthly meetings of the various committees, the Real Estate group will be joining the Planning division at various community meetings putting forth to the extent there is activity or meaningful information to report, pipeline and development of prospect that are coming along that at least on a pre-screening may be deemed suitable or appropriate based on the understanding of further detail of work to do through the underwriting and coming through a final determination which would be

communicated to the community as a written report. Item 5 was revised as follows: The Port will distribute a memo informing the advisory group members of this decision. The memo will provide the discussion and narrative of proposed use, location site, necessary permits, environmental review and go through the detail of rational and mitigation measures that might be required for prospective users. There may be more interim uses given timing, challenges and certain temporary use agreements. The Port has a standard lease form, which staff relies on various departments with review of the activities around the Port with the guidance of what's acceptable or not as set forth as a legal contract for use provision, hazardous provisions, regulatory requirement provision and all of which are kept up to standard with each new development, environmental risk and issues, technologies and various other concerns around real estate management and different business uses in the marketplace today. With regards to enforcement, staff is working with limited resources but looks to all its partners as the community may identify issues around the various uses and places at the Port. Those calls may be directed to Port staff but contacting the real estate division will be the first suggestion. Any Port staff is available given where the point of contact may be initiated. As directed Port staff will investigate, determine and analyze and come to a final decision and recommendation for resolution. With respect to any lease, all such matters will be addressed as part of lease negotiations, finalizing a lease and brought forth to the Commission as a comprehensive report. He asked the Commission's approval of the guidelines.

Ms. Toby Levine indicated that the Pier 70 CAC has looked at the guidelines in the past. They think it is a great step forward. They like the fact that there is better coordination between the departments of the Port as outlined in the guidelines as this was a problem in the past. They are grateful that has changed and the coordination is occurring. With regard to the time plan in which Port staff, after its deliberations, will notify the various committees involved and they have ten days to respond to see if there are any loopholes. They think that will work because most of the committees are very active and pay attention to their email. Although ten days to respond is also a short time plan. If the Port sticks to being tight on their time lines they will try to stick and be tight on their time lines as well. They had a lengthy discussion about the map which shows areas that are to be lightly impacted i.e. areas with less environmentally problematic uses than the other areas. Suggestions were made and the changes were incorporated into the map. The questionnaire that the prospective tenants have to fill out is lengthy. The first five pages of the questionnaire would be sufficient. Information beyond that is not something that other people should know about. Lastly, there's one spot where trouble could occur i.e. one or two-month interim uses. If they are noisy or environmentally hazardous and they are close to the community, even if the lease is only for two months, it could conceivably be a problem. She suggested watching that closely and carefully.

Joe Boss agreed with Ms. Levine's comments. He saw a draft of the questionnaire and made a call to Mr. Winters. They had a very good conversation. He tweaked it and eliminated at least two pages. This is a very different and very responsive port. The document is pretty good not just for the southern waterfront but also for any interim leases throughout the Port. As Ms. Levine mentioned, there are certain confidential pieces of information on the questionnaire. It should be spelled out very clearly that the first two sections are available for the citizen groups to look at otherwise others will want to look at

the whole thing. He was pleased to see procedures being put into place.

Commissioner Brandon asked for clarification of the highlighted and the dotted items on the map. Mr. Beaupre replied that the dotted areas are long-term Port leases. The areas that are hard outlined and the hatch areas are both interim leases. Outside of the hard outline (Pier 80) are existing long-term maritime tenants. Commissioner Brandon asked what happens between Heron's Head Park and 3rd Street on Cargo Way. Mr. Beaupre replied that is the ICTF yard. Commissioner Brandon commented that is going to remain train tracks. Commissioner Brandon indicated that this is a great first step and hopes that it will work out. She hopes that this will get the community more involved especially those who have issues with some of the Port leases.

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 04-74 was adopted.

7. PLANNING & DEVELOPMENT

A. Request for approval of the Work Product Provisions with Stanford Hospitality, Inc. for the Embarcadero Hotel Project at Broadway on Seawall Lots 323, 324 and 322-1. (Resolution No. 04-75)

Jennifer Sobol, Planning & Development, indicated that at the last Commission meeting, the Commission extended the exclusive right to negotiate agreement with Stanford Hospitality for the hotel project to November 30, 2005. That resolution directed Stanford and the Port to negotiate language by August 31, 2004 for the work product provision. During the past month, Port staff and Stanford met to negotiate the work product provisions. They executed the 5th amendment to the ERN and the provisions are now contained in Exhibit 1 of the staff report. The purpose of those work product provisions is to provide a way for the Port to get delivery of the materials that have been generated by the consultants for this project. They are triggered if the following things happen:

(1) If Stanford defaults under its ERN and the Port terminates it or
(2) If Stanford abandons or voluntary withdraws from the project or
(3) If Stanford gets to the end of its exclusive negotiating period without having successfully received approval of the development agreement.

Under Exhibit 1, certain materials such as studies, reports, applications would be delivered to the Port at no charge. At that point, if Stanford is no longer pursuing the project, the Port could decide that it wants to seek another developer to do a hotel project at that site and that developer could decide that it wants to use the same architectural drawings. In that case, the Port would give Stanford notice and Stanford would have to waive or assign its rights to those architectural drawings There would be no charge for those drawings if the reason is that Stanford abandoned, withdrew or defaulted under the ERN. There is a fee that would have to be paid if the reason is that Stanford reaches the end of the ERN period but did not receive approval of a development agreement. In other words, the Port has option but not obligation to purchase the architectural drawings. The Port would not pay that fee. Any new developer would pay the fee for the architectural drawings. This

provisions will be included in any new RFP or any new agreement with a new developer. The fee is the amount that Stanford would have paid to its architect Hornberger + Worstell, Inc. (HWI) for the architectural drawings. Those fees and expenses would have to be documented by invoices that the Port would verify. This fee would also include a document release fee which is a fee that Stanford would have to pay to the architect of $100,000 if it does not go forward with the project. To date, Stanford has represented that it paid HWI in excess of $900,000. Staff anticipates that those architectural fees will increase. She asked Commission's approval of the provisions that staff has negotiated as outlined in Exhibit 1 so they can attached to the ERN agreement and proceed with the project.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion.

The following speakers spoke about their concerns regarding the height of the hotel, the lack of communication between Stanford Hospitality and the neighboring community, and urged the Commission not to grant any further extensions of the Exclusive Right to Negotiate to Stanford Hospitality:

1. Diana Taylor, representing the Waterfront Action Group (WAG), a coalition of neighbors, residents, and long-term occupants of businesses in the community
2. Maria Matson, resident of the Golden Gateway Commons and member of the WAG
3. Monica St. Geme resident of Golden Gateway Commons and member of NEWAG
4. Mr. Gamble read Mr. Felix Rodriguez's, resident of Golden Gateway Commons, letter into the record.
5. Fred A., past President of the Telegraph Hill Dwellers Homeowners Association
6. Jay Fogelberg, member of the WAG
7. Nan Roth, member of NEWAG
8. Vedica Puri, Chair Waterfront Committee, Telegraph Hill Dwellers
9. Ernestine Weiss, resident of Golden Gateway Commons
10. Bill Kedem, 101 Lombard resident

Toby Levine, chair of NEWAG, indicated that it's obvious people are concern and upset about this project. NEWAG has not had an opportunity to review the current plans since the NEWAG meeting is not scheduled until next week.

Commissioner Bierman indicated that she has attended many meetings about the waterfront. A lot of people have spent a lot of time and effort in attending the meetings and they all have valid concerns. She is not willing to give the developer any more extension at this time. The developer should do something to honor this historical district.

In light of all the comments from the speakers, Commissioner Hsu asked the developer what they will do different in the future should this extension be granted. He asked if they would be more open and more transparent in their dealings with the neighborhood and work with them more closely and produce a design that the neighbors would embrace rather than reject.

Todd Motoyama from Stanford Hospitality indicated that they will continue to work with the NEWAG group. They have met with them and they will continue to show their design to the group. They are now aware of the WAG who is recently been formed. They are open to meeting with that group. They will certainly take in all their comments and consider them as they have in the past. The people who review their design have made comments on their design as well. The Port's Design Review Committee has commented on the design and looked very favorably upon it.

Now that the developer has hired Jane Winslow as their neighborhood liaison, Commissioner Hsu asked how they plan to work with her to address neighborhood concerns.

Todd Motoyama replied that they will meet with the group again. They have written them a letter and are prepared to meet with them and intend to follow through.

Commissioner Hsu indicated that apparently that is not good enough for the community. He asked what they would do differently in terms of working with the neighborhood groups, listening to their comments, be more sensitive to the neighborhood and come up with a design and a solution that would be embraced by all. Since the developer has not come up with a solution in the last 5 years, he asked the developer what they would do differently to assure the Commission that in the next 14 months, the neighborhood concerns will be addressed.

Jane Winslow indicated that she has been in contract with Diana Taylor. They have worked out a way to organize a community meeting which would be held at the end of October. Ms. Taylor's idea is to have a meeting with a core group made up of people who live in the Embarcadero center and other organizations that have joined with WAG. She noticed that no one in the audience seems to have heard of WDAC (Waterfront Design Advisory Committee) and yet that is the committee that her client is paying a lot of attention to because they are charged with directing the design of the project. The WDAC's parameters are in conflict with the historic district and with the RFP. The neighborhood is not clear on the whole procedure. Perhaps, her client has not done their best to really listen and have a dialog with the neighbors. They will let the community know that Stanford is hearing what they are saying about the height and other things. On both sides, they need to know what they are up against and the developer needs to let them know that they hear their concerns. Her clients have heard their concerns because when they hired her they talked about the community's concerns.

Now that Jane Winslow is on board, Commissioner Hsu asked if the process will be more transparent and promise that their dealings with the public would be different. There has been some miscommunication or non-communication between the WDAC and the WAG. With her on board, she can make the communication process readily available and more transparent.

Jane Winslow replied that she hopes to do so. She hopes that with the help of Port staff they could explain the various groups that have a say on what goes on. It isn't just the historic district or the RFP. It isn't just the Port Commission or the Planning Department.

There are other groups of people involve in the process.

Commissioner Hsu understood that some of the guidelines were developed over time and might have lost some of the details in the process. Should the extension be granted, he urged the developer to work more closely with all the neighborhood group so that they hear all the concerns and people would at least know who to point fingers to and make the whole thing more transparent.

Jane Winslow indicated that she cannot make a promise that her client is going to change the project but she will work with goodwill with the neighbors.

Commissioner Hsu asked Dan Hodapp to clarify some of the issues regarding the design.

Dan Hodapp, Waterfront Design Advisory Committee, indicated that a number of issues were brought up regarding the height of the building and some of the inconsistencies between the height that's allowed in the WLUP, the RFP and what was approved by the Landmarks Board. Although he does not have all the details, he noted that they have directed the developer to the building design that has come around at this point. They have looked at lower height buildings, they have listened to a presentation by the City Planning Department that examined the width of the road, the scale of the building up and down Embarcadero and came back and told them that an 85 foot height would be the appropriate height for the hotel along the Embarcadero edge. The WDAC said no and it is too big of a building. It would not be in scale with the surrounding area. They also looked at what the right scale of a building for the Embarcadero, what fits the very muscular bulkheads across the street, what fits right at a very important corner of Broadway, and what would complement the Golden Gateway building across the street. They recommended a 65-foot height along that frontage. He does not have all the particulars as to what heights are acceptable at certain locations but they did play a role in shaping that. He also attended the Landmarks meeting to coordinate issues with their review – if the building is consistent with the Landmarks standards and if it fits into the Northeast Waterfront historic district. The Landmarks and the WDAC have been a part of the architects and analysis of the area to make this a new building within a historic district, to be understood that it has its own identity and looking at the various components of that. Mr. Hodapp offered his assistance in preparing a presentation to the Commission or be part of the presentation to the community in some of the community meetings.

Commissioner Brandon indicated that at the last meeting, the Commission approved the extension of the ERN. The Commission today is being asked to approve the work product provision. Since there are a lot of outstanding issues, she asked what steps have to take place or are expected to happen in the next 15 months.

Jennifer Sobol replied that by November 30, 2005, Stanford has to obtain certification of the environmental impact report. By the end of the extension, obtain approval of the lease and development agreement, which means approval by the Port Commission and the Board of Supervisors. The resolution that the Commission approved at the last meeting states that the Port Commission authorized the Executive director to extend the ERN in substantially the form of the 5th amendment, provided however, that the Commission

reserves the right to review the proposed resolution of the work product language at the Commission meeting of August 31st and determine at its sole discretion whether to terminate the ERN without opportunity on the part of the developer to cure. The only issue before the Commission today is whether to approve the work product language or not.

Commissioner Brandon indicated that it would have been better had the audience attended the last meeting when the Commission deliberated about the nuts and bolts of the ERN. She proposed that this item be deferred for three months to give Stanford the opportunity to do a presentation with Dan Hodapp and the WDAC on what the actual proposed project is going to look like and get input to what works and what doesn't work and also come up with a community involvement action plan.

ACTION: Commissioner Brandon moved approval to continue this item for three months; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor.

Jennifer Sobol indicated that one of the conditions in the ERN is that the developer hire and retain a community liaison representative which is why the developer hired Jane Winslow. Commissioner Brandon indicated that it's ok to hire someone but there needs to be a schedule, a meeting set, and an interaction between the various community groups in a positive manner. Jennifer Sobol suggested to include that as a benchmark.

Monique Moyer indicated that given that the Port Commission at the July meeting already approved the ERN and what's in front of them today is a discussion of the work plan, she will interpret the Commission's comments as not being persuaded that the work plan is something that the Commission actually want to purchase in the event that the purchase option were to go forward. It's staff's job to work harder on that in the time they have been given under the proposed continuance to demonstrate that there is a workable plan. She asked if that is a fair characterization of where we are given the past approvals and the direction the Commission would like to go.

Jennifer Sobol asked for clarification.

City Attorney Noreen Ambrose replied that the motion is to continue this item for three months. As opposed to voting on the resolution that is before the Commission, Commissioner Brandon made a motion to continue it for three months for further development of the community participation program and at that point, bring it back for the Commission to evaluate the work product provision.

Commissioner Hsu asked if it would also mean that the Commission would extend the ERN for three months so it won't lapse.

Ms. Ambrose replied that the ERN has already been extended for 15 months subject to termination if the Commission does not approve the work product language. The final language of the amendment last time was to extend it subject to termination if the Commission did not find the work product provision acceptable.

Commissioner Brandon clarified that the Commission is continuing the work product

provision. The Commission has not accepted the work product provision. In three months, the Commission may accept it if the presentation regarding the design has taken place, and if there is positive feedback from the community.

B. BCDC/Port Joint Commission Planning Committee recommendations for Fisherman's Wharf. Request to accept the Planning Committee recommendations for Port property west of Kearny Street to Hyde Street including Jefferson Street to the Bay edge. (Resolution No. 04-76)

Dan Hodapp, Planning & Development, indicated that in November 2002, the Port and the San Francisco Bay Conservation and Development Commission (BCDC) agreed to undertake a joint planning process for the Fisherman's Wharf area to update the policies in their respective plans that control development in Fisherman's Wharf. The respective Commissions believed that a comprehensive approach to public open space, shoreline reconfiguration, parking, circulation and other land uses would be more effective if created and adopted jointly. This intent was to continue to facilitate the economic revitalization, beautification of Fisherman's Wharf so that it remains one of the top visitor attractions in the country while becoming more inviting to local Bay Area residents. The Commissions also believed that in order to maintain the economic vitality of the Wharf, the business needs of the Port's tenants needed to be addressed, particularly how existing pile-supported restaurants and other commercial businesses were to meet the BCDC Replacement Fill policy in order to perform maintenance and make major substructure repairs. It was understood that changes to BCDC's regulatory policies may be required. The planning process began in November 2002, with the formation of the Fisherman's Wharf Planning Committee, made up of six BCDC Commissioners (Betsey Cutler, Richard Gordon, Anne Halsted, Barbara Kaufman, Susan Leal and Aaron Peskin) and two Port Commissioners (Sue Bierman and Kimberly Brandon). The committee oversaw the staffs' work on the Fisherman's Wharf Area Plan and guided development of these recommendations. Between January 2003 and March 2004, the committee, Port and BCDC staff held 16 public meetings, including workshops, a walking tour, a review of past plans and current policies for Fisherman's Wharf, and a presentation of preliminary and revised concept ideas. The public planning process has defined improvements that, if provided by the Port and the City and County of San Francisco will bring about public open space, pedestrian and transportation improvements that benefit the City and the Bay Area region, as well as the entire Fisherman's Wharf area.

A primary goal of the Fisherman's Wharf planning process was to provide a comprehensive program for the creation of major public open spaces, public access, and public benefits, which also enables the Port and its tenants to maintain and improve piers and waterfront facilities in an economically feasible manner. The Committee reviewed several options and made recommendations for how the Triangle Lot and the Pier 43 and 43-½ shoreline edge could be reconfigured to improve and expand open space, and the quality of the pedestrian experience in Fisherman's Wharf. The Committee supported the creation of a series of linked open spaces in the Triangle Lot and the Pier 43 and 43-½ area that include:

- Removal of a substantial amount of Pier 43-½ to create an open water basin and Fisherman's Wharf Shoreline Promenade;
- Additional vessel berthing along the shoreline edge;
- Development of new open space plazas in front of Pier 45 Shed A, at Taylor and Jefferson Streets including widening sidewalks on Taylor Street, and in the Octagon Building area at the west end of the Triangle Lot, while maintaining parking at a level comparable to what currently exists;
- Extension of Mason Street corridor from Jefferson Street to the Embarcadero;
- Restricting commercial uses within new public open spaces to ensure these areas are available for passive recreational use by the public; and
- Adding landscaping in the Triangle Lot (parking).

The Committee recommended continuation of the services provided within the Octagon Building and adding a visitor information center, but did not recommend if those services should remain within the existing building, or if the Octagon Building should be removed with those services relocated nearby.

Public workshops held during 2003 revealed that transportation and circulation issues were of high concern because of the negative impacts on pedestrian and vehicle circulation, and the overall appearance of the Wharf. Participants stated problems of traffic congestion reaching the Wharf, congestion within the Wharf from vehicles accessing parking, and a desire for a bike lane through the area to connect to waterfront routes to the east and west. The Port and BCDC, working with the Department of Parking and Traffic (DPT), presented possible area-wide circulation improvements, and alternatives for how Jefferson Street could best accommodate all the desired travel modes of the area, including bicycle routes to the east and west of the study area. As a result, a set of recommendations were prepared and supported by the Committee to improve access to Wharf destinations for drivers and pedestrians, and to create an inviting and attractive pedestrian environment. Specific recommendations included:

- Improve regional and Citywide signage directing visitors to the Fisherman's Wharf area.
- Develop a sign program to divert traffic to desired parking destinations on Beach and North Point Streets.
- Develop a parking signage system to direct drivers and inform them of capacity and availability.
- Add dedicated loading zones on Jefferson Street to reduce double parking.
- Develop a sign program to inform pedestrians of major Wharf destinations.
- Adjust crosswalk locations to maximize pedestrian safety and improve traffic flow.
- Install parking meters on unmetered blocks.
- Request that the Municipal Railway improve frequency of F-Line and cable car service.
- Improve sidewalk conditions by limiting vendors to legal limits.
- Eliminate or improve the pedestrian scramble signal at several intersections along Jefferson Street.
- Add traffic control officers at key intersections during busy times.

Many of the recommended improvements are for areas outside of Port of San Francisco and BCDC jurisdiction. Their implementation would require further coordination and action by other City agencies including but not limited to DPT, the San Francisco Planning Department, the Department of Public Works, and San Francisco Municipal Railway (MUNI).

The Committee considered many Jefferson Street reconfiguration alternatives and ultimately recommended that staff explore Alternative E, a shared bicycle route in the southern, westbound lane of Jefferson Street that: 1) maintains one-way westbound traffic on Jefferson Street; and 2) provides for eastbound bike access on Beach Street. The Committee acknowledged the importance of connecting the existing shoreline bicycle network in Fisherman's Wharf, but was concerned that Jefferson Street is already over-crowded, and that other reconfiguration proposals to incorporate bicycle access compromised safety. The Committee viewed proposals that require bicyclists to cross the MUNI railway tracks at less than a 90° angle to be unsafe.

The Committee recommended that Jefferson Street be further studied after implementation of previously described recommendations to redirect traffic to Beach and North Point Streets and improving parking information in the Wharf area. Other alternative concepts for Jefferson Street that were not acceptable to the Committee may warrant reconsideration by the City. The recommended alternative E and other alternatives are described in the Committee Recommendations report.

A primary goal of the Fisherman's Wharf planning process was to provide a comprehensive program for the creation of major public open spaces, public access, and public benefits, which also enables the Port and its tenants to maintain and improve piers and waterfront facilities in an economically feasible manner. To achieve high quality public open space and pedestrian improvements, circulation and parking issues also need to be addressed in the Wharf area. The Committee recommendations lay the groundwork for creating a system of linked open spaces that complement and highlight Fisherman's Wharf unique and enduring features, and create a vision for how the shoreline could be reconfigured to create open water areas.

With this vision in place, the Port and BCDC can work further with the community and City agencies to focus on implementation and regulatory changes that also enable Port businesses to improve and repair their facilities. One of the key regulatory issues underlying this planning process is a joint Port/BCDC interest in finding a better way to meet BCDC fill removal objectives. One of those policies, the Replacement Fill policy (also known as the "50% Rule"), requires existing pile-supported restaurants and water-oriented commercial recreation businesses conducting major substructure or seismic repairs to remove fill or provide pile-supported open space in an amount equal to 50% of the business' building footprint.

The Committee's open space and public access recommendations represent the removal of a substantial amount of fill, which would likely exceed the collective fill removal obligations of existing waterfront businesses. As such, the opportunity exists to create a "fill removal bank", which provides dual benefits. By targeting removal of Pier 43-½, the

Port can identify a venue through which its tenants can meet BCDC fill removal requirements associated with major facility repair projects, and incrementally achieve the open space improvements recommended by the Committee. The Port presented this proposal to the BCDC Commission on June 3, 2004. BCDC has expressed an open and receptive response to working further with the Port on this and other regulatory issues to facilitate the maintenance and improvement of businesses and facilities within its jurisdiction.

The planning level cost estimates for the Committee's open space and public access, and other pedestrian improvement recommendations in the vicinity of the Triangle Lot and Piers 43 and 43½ range from a total of about $9-$12 million. At this time no source of funds is identified to implement these improvements. Given the importance and economic value of Fisherman's Wharf for the City and Bay Area, it is in the interests of the Port, City and BCDC to work together to maintain and improve the area for the enjoyment of visitors and residents alike.

Staff Recommendation:

1) Conclude the Fisherman's Wharf Planning Committee Planning process at this time and accept the Committee's Recommendations by adopting the proposed resolution.

2) Forward the Committee Recommendations to the Mayor of the City and County of San Francisco for further analysis, and consideration in future planning and funding efforts for the Wharf.

3) Use as an interim guide, until such time as an enforceable, implementable policy update to existing plans.

4) Direct staff to pursue with BCDC amendments to BCDC policies or other actions, consistent with BCDC's fill policies, that provide economically feasible options for the Port and its tenants to effectively maintain, repair and, as necessary, rebuild pile-supported facilities in Fisherman's Wharf. If BCDC plan amendments appear to be an effective method, the Port is prepared to pursue these changes with BCDC this fall.

Mr. Hodapp acknowledged Joe LaClair, Jeff Blanchfield and Anne Halsted for all their hard work and efforts during the planning process.

Anne Halsted thanked the Port Commissioners who work with them on the planning process: Commissioners Bierman, Brandon and McCarthy. When they first started the process, they planned within a year and a half to come to conclusion on these matters. However, State funding has been reduced. BCDC got to a point where they simply couldn't continue on this planning project. They concluded the project and had great recommendations and turned it over to the Port to continue. They accepted the recommendations. They believe that this is a very important project that warrants continuance by the City and that at the point where BCDC can join back in and come to some conclusions, they will do that. She thanked the Commission for their support and help and looks forward to working together in the future.

Joe LaClair, Senior Planner with BCDC, thanked Dan Hodapp for all his hard work and putting together the report presented to the Commission. It's a good summary of what they accomplished during the planning process.

Bill Kedem thanked the planners for their hard work. He participated in some of the workshops. He thinks they were well done. He was impressed with the plan documents he has seen so far. He prefers Alternate A because it seems to give a bit more open space. However, he was concerned about the bicyclists on Beach Street because of the Muni tracks and cobblestones, as it is not a comfortable or safe experience. It seems that North Point would be a better option. He was also concerned about the parking garages on Francisco Street. He pointed out to Port Planning staff that the parking garages on Francisco Street listed on page 25 of the plan recommendations are spoken for by a couple of other projects such as the development project at 55 Francisco and the it's going to eliminate part of that garage. The Piers 27-31 project will overwhelm their neighborhood. He doesn't think that it would be feasible to direct Fisherman's Wharf traffic into Francisco Street. It would not be a good alternative.

Gary Burns, Fisherman's Wharf Restaurant Association, indicated that in every part of the 16 meetings, the focus was the plans for the triangle parking lot. The Port revenue figures from June 2003 to May 2004 indicated that the 7 restaurants and two crab stands generated $2,576,000. Pier 39 with its five-story garage generated just $1,725,000. Scoma's generated another $847,000, which equals to approximately $3.5 million from the family- owned businesses. When he talks to people, they don't care what they generate and the fact that they are in a historical district. People don't appreciate that the same families own these restaurants for over 60 years. It is great to speak to the landlord, someone who would recognize who they are. They want to work with the Port and the City, enhancing the look of the parking. They need every space they have. Boudin is going to be opening their new exhibition/restaurant that will further impact parking in the area. They have asked a prominent landscape architect to develop plans for the parking lot. He also spoke to Byron Rhett and looks forward to working with them.

Josh Hart, Program Director of the SF Bicycle Coalition, indicated that when this project was initiated, they were very excited of the potential to bridge a long standing gap between bicycle facilities to the west over Forth Mason and through the Marina green area and to the east along Embarcadero promenade. They saw great potential to include Fisherman's Wharf in the City's bike network and to make a consistent, well designed bike trail along the City's waterfront. They saw dramatic consensus from the public that there is a problem. There was not a consensus on how to solve the problem but there was significant public input to solve the problem of connecting the bike trail and improving bicycle safety. They were disappointed to see the plan, as released, did not address the problem. They saw several alternatives that could use further study in terms of bridging the gap, providing a safe space for bicyclists through this area. It was frustrating that just when they were about to reach consensus and starting to work together, the process was halted. The hope that as the process moves forward, the Port will support improvements because the problem is not going to disappear. The study was certainly useful and brought a lot of alternatives that the City can now take and move forward on and implement. However, further study is needed but they look forward to working with staff and the

community in terms of improving the area. There is a gap and it's an issue that affects tourism and residents in the community. A bike-oriented tourism is becoming a major industry in the United States. He appreciated staff's work on the plan.

Tom Creedon, chair of the Fisherman's Wharf Waterfront Advisory Group, indicated that he participated in most of the meetings. It was great to have Mr. Hart and other people from the public who are not just from the Fisherman's Wharf community. A lot of people had concerns with the traffic, the bicycles. There were a lot of issues. Gary Burns brought up something that is important. This is a historical part of San Francisco. He appreciates the fact that the study was hard bound. They worked really hard to get it done. There isn't a necessity to study anything further. This is something that will last for a long time. We have look at what we have. This can't be done by just the Port. Fisherman's Wharf is working towards a planning process which would give them an opportunity to take part in making some serious changes. He complimented Dan Hodapp and Joe LaClair for a job well done.

Mike Berline indicated that staff bent over backwards on the bicycle issues. A lot of issues remain unresolved. Page 10 of the report is a recommendation by the Committee that the City evaluate the feasibility of locating bicycle access in a safe, shared lane on Jefferson Street. They didn't solve everything but kept the process going.

Ernestine Weiss complimented Joe and Dan for a job well done. A lot has been accomplished. As far as bikes are concern, they need a safe place to be and the pedestrians need a safe place to walk.

Charles Midlan requested the Commission to postpone approval of this item because of the fact that this is a very large project and an investment of millions of dollars in addition to the rents to the Port, merits another review.

Ms Moyer indicated that the item in front of the Commission is on Fisherman's Wharf. She asked if he was talking about Pier 70. Mr. Midlan clarified that he is talking about Pier 43. Ms. Moyer reiterated that his request to the Commission is to postpone adoption of this plan so that we can explore whether Pier 43 ½ can be used for berthing of a refurbished historic ferry. Mr. Midlan concurred and added that the historic plans that were put together by the Port and BCDC specified that there will be historic vessels located at Pier 43. One of the plans would allow for berthing at the historic ferry arch. The project he is proposing works with one of the plans, works with the ferryboats that are attached to the easterly side of the pier. In addition, he also proposed that he has additional bay lands that could be used in exchange for the bay fill problem in terms of BCDC codes and regulations. He is also willing to contribute some money towards the improvement of the triangle parking lot. He asked the Commission to postpone this item for at least three months.

Ms. Moyer clarified that his request is to the Commission. Staff already proposed to the Commission that they adopt the recommendations today.

Mr. Midlan indicated that there were a number of angry people here earlier who proposed

a number of things that were not being done with the developer. In relation to this he has met with staff on an informal basis about the project and after it was delivered. The Commission chose to extend that project for three months so it could be fully reviewed. That is what he is asking the Commission today. As Commissioner Bierman has been involved in landmarks in San Francisco, this boat is a federal landmark. He has spoken to Commissioner Hardeman about this and the unions are in support of it. He appealed to the Commission to continue this item until his request can be fully assessed by the Director's office.

Marvin Kesloff added one suggestion to the list of recommendations that Mr. Hodapp presented earlier. He echoed everybody's compliments to Dan and Joe and the Commissions for conducting an exemplary meetings including everybody's desperate interest. There is one section of the plan that can help everybody's situation, which was relatively non-controversial and relatively agreeable to everybody concerned. On page 45 of the plan, what was listed as area wide improvements most of those are small items, such as signage, pedestrian directions, efforts to ameliorate traffic and parking to make the entire area more accessible to everyone. Most of the things are relatively small dollar cost. It would help to clarify the situation relative to bicycle traffic, pedestrian traffic, impact on restaurants and the suggestion to try to define a new central area for Fisherman's' Wharf by the Fisherman's Wharf sign. If some of those monies could be found for this project, he asked that these things be considered as possibilities. He understands that some of these are not particularly Port responsibilities and may involve other elements of the City such as DPT, etc.

Commissioner Brandon echoed the compliments to Dan Hodapp and Joe LaClair for their excellent job throughout the whole process. They have a list of other plans that were done over the past four decades. This really brings everything together. This is a great tool that could be forwarded to the Mayor's office to get all the City departments involved and get all the funding needed to make this possible. She thanked the various community groups that attended all the meetings, the workshops, the walking tour. It was a great learning experience for her. She also acknowledged Byron Rhett, Diane Oshima, and Carla Bagneschi and the BCDC Commissioners for all their work. She was glad that they came up with the great recommendations. There is still a lot of work to be done especially with the parking lot issues, the Octagon Building, the Fisherman's Wharf sign and the trees. We still have a long way to go but this is a great starting place.

Commissioner Bierman commented about the bicycle lane or the lack thereof. They were not able to solve the problem any better. The bicyclists seem to get to Crissy Field well so they left it at that. The people who ride the bicycles thought it was ok.

ACTION: Commissioner Brandon moved approval; Commissioner Bierman seconded the motion. All of the Commissioners were in favor; Resolution No. 04-76 was adopted.

8. NEW BUSINESS / AGENDA SETTING

Ms. Moyer indicated that there is nothing particularly new on the agenda setting other than the addition of the last item which is to award the contract related to the RFP to study emissions

for the cruise ships. It will be a very busy September and a couple of things are pending for October but would be happy to take new projects from the Commission.

9. PUBLIC COMMENT

10. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor.

At 5:55 p.m., the Commission withdrew to executive session to discuss the following:

B. CLOSED SESSION

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion and/or Action Items)

a. Discuss existing litigation matters pursuant to Section (a) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (3 cases):

- Coral Construction, Inc. v. John L. Martin, et al. and Schram Construction, Inc. v. City & County of San Francisco; San Francisco Superior Court, Consolidated Case Nos. 319-549 and 421-249.

- St. Paul Fire and Marine Insurance Co. v. City & County of San Francisco, San Francisco Port Commission, et al. U.S. District Court, Northern District of California, Case No. C04-0339JL

- City and County of San Francisco v. California Foundation on the Environment and the Economy, et al. San Francisco Superior Court Case No. CUD-611219, filed July 28, 2004.

  Proposed settlement of the unlawful detainer action filed on July 28, 2004 by the City and County of San Francisco, acting by and through the San Francisco Port Commission. Proposed settlement involves payment by defendant California Foundation on the Environment and the Economy to the Port in the amount of $40,143.20.

b. Discuss significant exposure to litigation pursuant to subdivision (b) of California Government Code Section 54956.9 (6 cases) (As Defendant)

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.

*This session is closed to any non-City/Port representative. **

a. Property: Pier 9
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Signature Yachts (Pacific Marine Dining Yachts): Garrett O'Doherty

b. Property: Pier 15 and 17 (at Embarcadero)
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Exploratorium: Dr. Goéry Delacôte

c. Property: Piers 27-31
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Piers 27-31 LLC: Steve Jacobsen

11. RECONVENE IN OPEN SESSION

At 7:52 p.m., the Commission withdrew from executive session and reconvened in open session. Commissioner Brandon recused herself at the end of the executive session.

ACTION: Commissioner Hardeman moved approval to adjourn executive session and reconvene in open session; Commissioner Bierman seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Hardeman moved approval to not disclose any information discussed in executive session; Commissioner Bierman seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Hardeman moved approval to adjourn executive session; Commissioner Bierman seconded the motion. All of the Commissioners were in favor.

12. ADJOURNMENT

Commissioner Hsu adjourned the meeting at 7:55 p.m.

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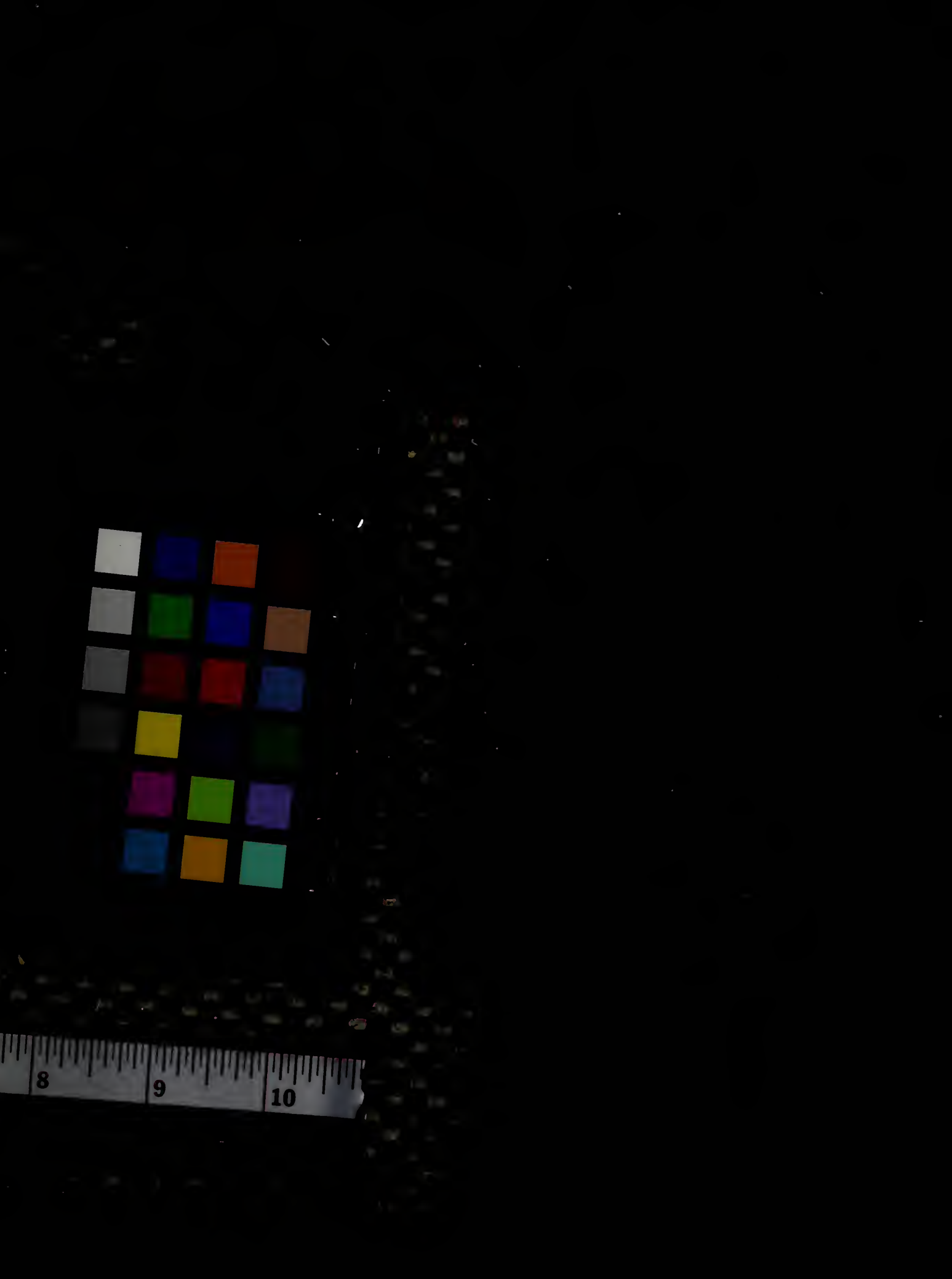
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